

Joint Transport Committee Audit Committee

Thursday, 12th September, 2019 at 10.00 am

Meeting to be held in the Whickham Room, Gateshead Civic Centre, Regent Street, Gateshead, NE8 1HH

AGENDA

Page No

1. **Apologies for Absence**

2. **Declaration of Interests**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

- | | | |
|-----|---|-----------------|
| 3. | Minutes of the previous meeting held on 19 December 2018 | 5 - 8 |
| 4. | Review of the Effectiveness of Internal Audit | 9 - 22 |
| 5. | Joint Transport Committee Internal Audit Plan 2019/20 | 23 - 32 |
| 6. | 6. JTC Audit Sept 2019 - Draft Strategic Risk Register | 33 - 52 |
| 7. | Joint Transport Committee Draft Strategic Risk Register | 53 - 72 |
| 8. | Review of the Joint Transport Committee Terms of Reference | 73 - 82 |
| 9. | Transforming Cities Fund - Tranche 2 Bid | 83 - 110 |
| 10. | Date and Time of Next Meeting | |

The next meeting will take place on Thursday 12 December at 10am at South Shields Town Hall.

11. Exclusion of the Press and Public

The Joint Transport Audit Committee may wish to exclude the press and public from the meeting during the consideration of the following item on the grounds indicated:

Item 10 Tyne Pedestrian Tunnel Update

By virtue of paragraphs 3 & 5 of Part 1 Schedule 12A of the Local Government Act 1972

12. Tyne Pedestrian Tunnel Update

111 - 118

Contact Officer: Rosalyn Patterson Tel: 0191 433 2088 E-mail:
rosalynpatterson@gateshead.gov.uk



North East Joint Transport Committee, Audit Committee

DRAFT MINUTES TO BE APPROVED

19 December 2018

(10.15 - 11.20 am)

Meeting held Committee Room, Civic Centre, Barras Bridge, Newcastle upon Tyne, NE1 8QH

Present:

Councillors: E Bell and Cllr M Swinburn

At the time for the commencement of the meeting there were insufficient members present to form a quorum. Having waited 15 minutes after the published commencement time of the meeting and the quorum not being reached those members present agreed that officers would brief them on the reports attached to the agenda and respond to any questions.

Councillor Swinburn agreed to act as chair.

1 APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor H Haran (Gateshead) and Councillor P Stewart (Sunderland).

2 DECLARATIONS OF INTEREST

None.

3 JOINT TRANSPORT COMMITTEE, AUDIT COMMITTEE & GOVERNANCE CHANGES

Submitted: Report by Monitoring Officer (previously circulated and a copy attached to the Official Minutes) which provided details of the proposed governance arrangements for the Joint Transport Committee and its Audit Committee.

During discussion the following points were raised:

- The need to ensure that the various audit committees could work in tandem and that the information presented to each was in a format which could be easily compared. It was also suggested that to ensure consistency there needed to be a commonality of membership of the various audit committees. Members were advised that the internal audit function would be provided to all bodies by Newcastle City Council under a service level agreement and this would ensure a consistent approach was provided;
- It was suggested that there was a need for Northumberland and Durham Councils to be represented on the Tyne and Wear Sub-committee as there would be decisions taken at the sub-committee which would impact on the residents of Durham and Northumberland, for example bus routes which might start in Tyne and Wear and pass through either of the county council areas. It was suggested that there might be a need to determine what is to be reported to the Joint Transport Committee and what is to be reported to the Tyne and Wear Sub-committee in future;
- It was suggested that the Annual Governance Statement could be shared with colleagues in Durham and Northumberland Councils. It was also suggested that an example of an assurance statement could be presented to the next meeting of the Committee.

RECOMMENDED that the report be noted.

4 **BUDGET PROPOSALS 2019/20**

Submitted: Report by Chief Finance Officer (previously circulated and a copy attached to the Official Minutes) which invited members to comment on the proposals for setting the 2019/20 transport budget as part of the consultation process.

During discussions the following points were raised:

- Clarification was sought in relation to capacity issues. It was explained that each of the individual bodies had appropriate contingencies in place;
- Concern was expressed that the use of reserves for the delivery of services could be seen as selling the family silver and this was not considered to be a sustainable way forward. Members were advised that appropriate assurances were in place and the risk register would be updated to address any concerns in the future. Reference was also made to the work on-going with the Government to ensure a quicker resolution to funding concerns;

- Reference was made to the proposed budget being higher than the original forecast. It was explained that there had been a need to factor an increase in fares and a possible reduction in usage;
- It was suggested that it might be beneficial to look at the detail of passenger usage over a number of years so that trends could be identified. Officers offered to look into this and report back to a future meeting. Members wondered whether this might be an appropriate topic for scrutiny to examine;
- Members were advised that the charges for the use of the Tyne Tunnel were expected to increase by no more than the Retail Prices Index (RPI) and there were proposals to make use of an Automatic Number Plate Recognition (ANPR) system for charging for use of the Tunnel in the future; and
- It was explained that a report was being prepared for presentation to members on the steps being considered to reduce borrowing limits.

RECOMMENDED that the report be noted.

5 **INTERNAL AUDIT PROGRESS REPORT**

Submitted: Report by Audit, Risk and Insurance, Service Manager (previously circulated and a copy attached to the Official Minutes) which provided details of the current position in relation to the transport related audits contained within the North East Combined Authority (NECA) Internal Audit Plan.

It was noted that a report on the audit of the Tyne Tunnel income would be presented to the next meeting of the Committee and the audit of the Pedestrian and Cycle Tunnels would commence after the refurbishment project had been completed. It was also explained that the outcomes of the two audits would be reported to the NECA Audit and Standards Committee when completed.

In relation to the on-going refurbishment of the pedestrian and cycle tunnel it was noted that an invitation to the opening ceremony would be circulated to all members.

RECOMMENDED that the report be noted.

6 **STRATEGIC RISK REGISTER**

Submitted: Report by Audit, Risk and Insurance, Service Manager (previously circulated and a copy attached to the Official Minutes) which provided an update on the development of the Strategic Risk Register for the North East Joint Transport Committee.

It was noted that once the Strategic Risk Register had been finalised it would then be monitored by the Committee. Reference was made for the need for a process to be developed which would allow for matters of concern to be escalated.

RECOMMENDED that the report be noted.

7 **DATE AND TIME OF NEXT MEETING**

Thursday 18 April 2019 at 10.00am.

Joint Transport Committee – Audit Committee

Date: 12 September 2019

Subject: Review of the Effectiveness of Internal Audit

Report Of: Senior manager – Assurance (Sunderland City Council)

Executive Summary

This report informs the Committee of the results of the Review of the Effectiveness of Internal Audit. The internal audit service is provided by Sunderland City Council and the review was undertaken by the Council's External Auditor, Mazars. The report aims to give members of the Committee the assurance that the services provided by Sunderland City Council are in accordance with Public Sector Internal Audit Standards (PSIAS) and CIPFA Application Note.

Recommendations

The Committee is asked to note the outcome of the review and the positive opinion provided by Mazars.

1 Background Information

- 1.1 The Public Sector Internal Audit Standards (PSIAS) and CIPFA Application Note require that every local government internal audit service is subject to an external assessment of its work against the standards, at least once every five years. The External Auditor, Mazars, undertook a review of the Internal Audit service at Sunderland against these standards in December 2018.

2. Proposals

- 2.1 The Committee should assure itself on the effectiveness of the internal audit service received by the Joint Transport Committee. The findings of the review are attached in the External Auditor's report. The approach used was to conduct a review of Internal Audit's self-assessment against the standards and a detailed review of a sample of Internal Audit files to assess how well the standards are complied with.

- 2.2 The External Auditor's review concluded that:

'We conclude that the IA is compliant with the requirements of the PSIAS and the CIPFA Application Note.'

- 2.3 The review highlighted areas of good practice, specifically in relation to the:

- Integrated Assurance Framework.
- Audit Manual and MKI e-audit system.
- Proficiency of the internal auditors.

- 2.4 A small number of areas for continuous improvement have been identified which have been agreed and will be addressed.

3. Reason for the Proposals

- 3.1 The Committee needs to be assured that it can rely on the information presented by the internal audit service regarding the control environment within the Joint Transport Committee.

4. Next Steps and Timetable for Implementation

- 4.1 The results of this report will remain relevant until the next review which will be undertaken within five years.

5. Potential Impact on Objectives

- 5.1 This report has no direct impact on the objectives of the Joint Transport Committee's policies and priorities. However, it provides assurance regarding the quality of the internal audit service in supporting the delivery of aims and objectives by reviewing the arrangements in place to manage risk.

6. Finance and Other Resources Implications

- 6.1 There are no financial implications arising from this report. The internal audit service is commissioned under a Service Level Agreement between the North East Combined Authority and Sunderland City Council. The Internal Audit Service from Sunderland City Council will make available the relevant professionally qualified and experienced auditors to fulfil the requirements of the Audit Plan 2019/20.

7. Legal Implications

- 7.1 There are no legal implications arising specifically from this report.

8. Key Risks

- 8.1 There are no direct risk management implications from this report.

9. Equalities and Diversity

- 9.1 There are no equalities and diversity implications arising from this report.

10. Crime and Disorder

- 10.1 There are no crime and disorder implications arising from this report.

11. Consultation /Engagement

- 11.1 No consultation was necessary for this report as it is for information only.

12. Other Impact of the Proposals

- 12.1 There are no other impacts of the proposals.

13. Appendices

- 13.1 Appendix 1 – Report from Mazars – Public Sector Internal Audit Compliance Sunderland City Council.

14. Background Documents

- 14.1 None

15. Contact Officers

Tracy Davis – Senior Manager – Assurance, Sunderland City Council.
tracy.davis@sunderland.gov.uk
Telephone - 0191 5612861

16. Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

Public Sector Internal Audit Standards Compliance

Sunderland City Council

December 2018





CONTENTS

- 1. Introduction**
- 2. Approach**
- 3. Summary assessment**
- 4. Detailed findings**

This document is to be regarded as confidential to Sunderland City Council. It has been prepared for the sole use of the Sunderland City Council. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. INTRODUCTION

An effective, objective and independent internal audit service is the cornerstone of good governance in all public sector bodies. Internal audit plays a pivotal role in providing assurance to officers and members that the system of internal control within their organisation is operating effectively and to recommend how that system of internal control can be strengthened. This is a fundamental requirement enshrined in the Accounts and Audit (England) Regulations 2011.

Public Sector Internal Audit Standards

In April 2013, a new set of internal audit standards for the public sector, the 'Public Sector Internal Audit Standards' (PSIAS) became effective. The standards were updated in 2017 to incorporate new and revised international standards. The PSIAS adopt the principle requirements of the Institute of Internal Auditors Professional Practices Framework and adapt these to ensure they are relevant and appropriate for the UK public sector and are mandatory.

The overall objective of the PSIAS is to provide a high level overarching framework applicable to all of the public sector. In summary, they:

- define the nature of internal auditing within the UK public sector;
- set basic principles for carrying out internal audit in the UK public sector;
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.¹

Local Government Application Note and 'proper practices'

The Chartered Institute of Public Finance and Accountancy (CIPFA) recognised the potential significance of the changes resulting from the adoption of the PSIAS and has provided guidance to internal auditors in the form of an Application Note. The Application Note and PSIAS combined constitute 'proper practices' in internal control as set out in the Accounts and Audit Regulations.

External assessment

The PSIAS and Application Note require that every local government internal audit service is subject to an external assessment of its work against the requirements of the standards, regardless of whether the service is provided by an in-house or external team. This external assessment is required to be carried out at least once every five years, and this report sets out our assessment of the Internal Audit (IA) service provided to Sunderland City Council.

¹ Public Sector Internal Audit Standards

2. APPROACH

Methodology

Our assessment has been wide-ranging and we have considered evidence to inform our conclusions and recommendations from a number of sources. The main phases of our methodology are set out below.

Review of self-assessment

The CIPFA Application Note provides a framework within which every internal audit service is expected to carry out a self-assessment against the requirements of the PSIAS. The Council's IA carried out this self-assessment and we critically evaluated the findings, sought evidence to support the results and reached our own judgement as to whether the self-assessment was accurate.

File reviews

To inform our review of the self-assessment we carried out a detailed review of a sample of IA files. Each file reviewed was considered against the requirements of the PSIAS and the CIPFA Application Note.

Professional standards for Internal Audit are contained in the PSIAS and cover the following key areas:

| Standard | Commentary |
|---|--|
| Purpose, authority and responsibility | Defines the 'IA charter' including setting out the nature of the IA function, reporting lines and other key areas. |
| Independence and objectivity | Including reporting and management arrangements to ensure the head of internal audit remains independent of audited activity. |
| Proficiency and due professional care | Cross-references to the CIPFA Statement of the Role of the Head of Internal Audit. |
| Quality Assurance and Improvement Programme | Includes both internal and external assessments. Non-conformance with standards must be reported to the board or equivalent (i.e. for the Council, the Audit and Governance Committee). Progress against prior improvement plans must be reported in the head of IA annual report, including any instances of non-conformance. |
| Managing the Internal Audit activity | Mandated risk-based plan, including partnership working. |
| Nature of work | IA activity should contribute to improvement, including governance, risk management and internal control. |
| Engagement planning | Preparation of audit briefs, including, where appropriate, consideration of VfM criteria. |
| Performing the engagement | Underlines how management retains ultimate responsibility for prevention and detection of fraud, but IA expected to be alert to the possibility of fraud. |
| Communicating results | Head of internal audit must provide an overall annual opinion to the Audit and Governance Committee. |
| Monitoring progress | Including the follow-up of audit recommendations. |
| Communicating the acceptance of risks | Communication required where the head of internal audit considers management has accepted a level of risk that may be unacceptable to the organisation. |

3. SUMMARY ASSESSMENT

Overall conclusion

We conclude that IA is **compliant** with the requirements of the PSIAS and the CIPFA Application Note.

Areas of strengths

Our review noted areas where IA is demonstrating good practice in the way it carries out its functions.

- **Integrated Assurance Framework (IAF).** The IAF is used to amalgamate all sources of assurance against the Strategic and Corporate Risk Profiles and allows effective targeting of IA work. This ensures the efficient use of IA resources and minimises duplication of effort. This process is embedded in the Council's approach to assurance.
- **Audit Manual and MKI e-audit (MKI) system.** A detailed Audit Manual, which mirrors the PSIAS, sets the framework within which all internal audit assignments are delivered. PSIAS compliance is driven by adherence to procedures set out in the Manual and MKI (the e-software used by IA). In particular:
 - standard documentation and the need for a thorough review are Audit Manual requirements that are followed in practice.
 - risks, controls, testing and evaluation of results are all clearly recorded within MKI;
 - the Audit Manual is based on a systematic, disciplined, risk-based approach to IA work. Our file reviews demonstrated overall compliance with the documented approach.
 - MKI is used to automatically feed narrative into reports which are set out in a standard format; and
 - target implementation dates for actions arising from recommendations are recorded in MKI for future follow-up.
- **Internal auditors.** The IA service employs proficient staff. All internal auditors have attained at least one relevant qualification and have significant appropriate experience. All internal auditors receive regular, appropriate training. Training needs are informed by the completion of a staff performance statement at the end of each piece of work. Overall, work was completed to a good standard and our file reviews demonstrated compliance with PSIAS and Audit Manual requirements.

Areas for continued improvement

We have identified a small number of areas for continued improvement which are summarised below, against the relevant standard.

- **Independence and objectivity:** ensuring there is a formal annual confirmation of independence by IA (e.g. in the Annual IA Report).
- **Independence and objectivity:** ensuring there is a mechanism for the Audit and Governance Committee Chair to formally feed into the annual appraisal of the Head of Assurance, Procurement and Performance Management (HAPPM), noting there are already informal feedback mechanisms in place.
- **Quality and Improvement Assurance Programme:** ensure evidence is retained of the annual quality assurance review carried out by IA itself, noting this review is in addition to existing on-going quality assurance mechanisms in place.
- **Communicating the acceptance of risks:** minor amendment to the wording of the Audit Manual in respect of the acceptance of risks.

In addition, some minor improvements points were identified during our detailed file reviews and these have been discussed with the Assistant Head of Assurance.

4. DETAILED FINDINGS

Review of compliance with the PSIAS and CIPFA Application Note

Our detailed findings in respect of compliance with the PSIAS and the CIPFA Application Note are provided below. These are based on our review of both the IA self-assessment and a sample of internal audit files. Our detailed findings are summarised against the attribute and performance standards contained in the PSIAS.

The five 2018/19 files selected for review were:

- performance reporting – data quality;
- Seaburn Dene Primary School;
- Use of the agency contracts;
- BACS; and
- refuse collection.

In addition to the activities above we also considered our detailed knowledge of IA gathered from our experience as the Council's external auditor for a number of years.

Purpose, authority and responsibility

The HAPPM is responsible for delivery of the Council's IA function. It is delivered by the Audit, Risk and Assurance Section which is headed by the Assistant Head of Assurance (AHA).

A revised Audit Charter was approved by the Audit and Governance Committee (AGC) on 28 September 2018, which sets out the purpose, authority and responsibility of IA. The Charter specifies that, for the Council, the 'Board' is defined as the AGC and 'senior management' is all Chief Officers. The Audit Charter was presented to the Executive Director of Corporate Services prior to AGC approval. PSIAS state that the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework should also be discussed with senior management; this is achieved via the HAPPM's attendance at quarterly chief officer meetings.

In order to discharge its role, IA has access to all officers, buildings, information, explanations and documentation required. Access rights are included in written agreements with organisations that receive grant funding from the Council, have been awarded service contracts, and partner organisation where the Council acts as Lead or Accountable Body.

The Audit Charter includes a requirement that the HAPPM is to be notified of all suspected or detected fraud, corruption or financial impropriety.

Independence and objectivity

The Audit Charter sets the standard for IA's independence:

- it specifies that IA will not have any responsibilities for operations other than providing recommendations and advice to management on risks and controls; and
- the head of internal audit reports directly to the Executive Director of Corporate Services and has the freedom to report to the Chief Executive, the AGC and Members.

The Audit Manual clearly sets out the reporting lines of IA and confirms the independence of the HAPPM.

4. DETAILED FINDINGS

Where IA work is carried out relating to functions for which the HAPPM has overall management responsibility, the AHA is free to determine the frequency and scope of audit work and reports their findings directly to the Executive Director of Corporate Services. The reporting arrangement was found to be working as described in our file review of the 'Performance reporting – data quality' audit.

We have assurance as to the organisational independence of IA. The HAPPM should confirm, at least annually, to the AGC that this is the case.

Performance of the HAPPM is monitored directly by the Chief Executive, with an annual performance agreement and regular meetings between them to discuss progress. The performance appraisal process could be enhanced by formally seeking the views of the Chair of the AGC.

Internal auditors are required to sign an annual declaration detailing any issues that may affect auditor independence. We found that all IA staff had completed a declaration in 2018 and appropriate action had been recorded, with officers not carrying out internal audit work in the areas affected. The Audit Manual includes guidance on potential conflicts, including where officers have had recent responsibility for the operation of systems.

The Audit Manual includes guidance that an assignment should not be undertaken by the same individual more than twice in succession. However, it is acknowledged that there will be exceptions to this where there are capacity issues or cases where the audit requires specialist skills and/or knowledge. Robust review procedures are in place to mitigate any perceived threats to independence.

Proficiency and due professional care

The HAPPM and AHA are both qualified accountants with many years of experience in a management role. All internal audit staff have significant relevant experience and have attained a relevant professional qualification.

IA staff that are members of a professional institute are required to comply with their institute's continuing professional development scheme. All internal auditors receive regular, appropriate training. Training needs are informed by the completion of a staff performance statement at the end of each piece of work.

IA has appropriate procedures in place to ensure due professional care. The Audit Manual contains guidance on professional standards and ethics. The review process also provides assurance that due professional care is applied throughout IA work, with a comprehensive file review carried out on each audit, assisted by the completion of a standard checklist.

Our file reviews demonstrated that, in their work, internal auditors:

- consider and evaluate the risk of fraud and how it is managed;
- demonstrate knowledge of key information technology risks and controls;
- are aware of significant risks that might affect objectives, operations or resources;
- consider the expectations and needs of clients; and
- consider the extent of work needed to achieve the audit's objectives.

Spreadsheets are used for data analysis. IA is looking to expand the use of technology-based techniques and has recently had a demonstration from IDEA. The use of Power BI, which the Council already uses for large scale analysis, is currently being tested.

Each report has a 'Strictly Private and Confidential' footer, which highlights that contents are not for reproduction, publication or disclosure to unauthorised persons without prior agreement.

Quality Assurance and Improvement Programme

Internal auditors are subject to an annual Council appraisal where performance is formally assessed. This, together with staff performance statements, completed for each audit, inform training needs.

4. DETAILED FINDINGS (CONTINUED)

All internal auditors have attained a professional qualification and those continuing their institute's membership are required to comply with continuing professional development requirements. Internal auditors receive training where a need has been highlighted.

Each audit is staffed by an appropriate skills mix and the level of supervision takes account of the experience of the auditor.

In addition to the embedded review process for each audit, there is an additional quality check on audits. The latest check was in September 2018, which covered all audits since April 2017. *However, there was no formal record of this. Officers stated that it was intended to carry out quality checks annually in future. IA should ensure that the detail of the process is recorded.*

Monitoring of the audit plan is carried out throughout the year within IA and with regular reporting to both the Executive Director of Corporate Services and the AGC.

IA has developed a suite of performance indicators, which are regularly reported to the AGC. The most recent data shows that IA is meeting its targets, except for the implementation of recommendations which is slightly below targeted performance. Benchmarking data shows that the cost of the internal audit service is £417 per £m turnover, compared to an average of £569.

IA continues to score highly in client post-audit questionnaires, with an average of 1.1 to date in 2018/19 (1 = good, 4 = poor). The return rate for questionnaires is 50%. In order to enhance the breadth of feedback, the HAPPM is considering a survey of senior managers and the AGC.

Managing the internal audit activity

The Audit Manual sets out in detail how a rolling Strategic Audit Plan and Annual Operational Plan are produced.

The IA work programme is derived from the IAF. The Council's Strategic and Corporate Risk Profiles are assessed and the Risk and Assurance Map records work that has been completed or is planned against the risks identified. This is carried out in consultation with key senior Council officers and consideration is given to the views of the AGC on potential areas of work. The HAPPM is aware of inspectors' views through his role in the annual governance review, which also feeds into Risk and Assurance Map. The approach ensures duplication of effort is minimised.

The HAPPM seeks to develop good working relationships with all relevant parties.

The external auditor meets regularly with the HAPPM and AHA and has an effective working relationship with IA.

Monitoring of the IA Operational Plan is carried out throughout the year within IA and with regular reporting to both the Executive Director of Corporate Services and the Audit and Governance Committee.

Nature of work

IA has an Audit Manual based on a systematic, disciplined, risk-based approach to its work programme. Our file reviews demonstrated overall compliance with the documented approach.

In line with PSIAS, IA evaluates risk exposures relating to the organisation's governance, operations and information systems regarding the achievement of the Council's strategic objectives, reliability and integrity of financial and operational information, effectiveness and efficiency of operations and programmes, safeguarding of assets, and compliance with laws, regulations, policies, procedures and contracts.

A fraud risk assessment is in place, with anti-fraud work included in the Annual Operational Plan.

IA assists the Council in maintaining an effective control environment and in promoting continuous improvement.

4. DETAILED FINDINGS (CONTINUED)

Engagement planning

The Audit Manual requires that for each audit, the objectives, scope, allocation of resources and budget are clearly set out. Audit work considers the strategies and objectives of the client, and significant risks are identified. Work programmes are developed by auditors and approved by the Audit Manager.

Our file reviews demonstrated compliance with the above approach, as set out in the Audit Manual.

Performing the engagement

Standard documentation and the need for a thorough review are Audit Manual requirements that are followed in practice. Risks, controls, testing and evaluation of results are all clearly recorded within MKI.

The sample of audit files tested provided sufficient information to enable an understanding of the work carried out and why conclusions were reached. Findings and conclusions were supported by appropriate evidence.

There were some minor points arising from our file reviews, which have been shared with the HAPPM and AHA.

Communicating results

The Audit Manual contains guidance on report writing. MKI is used to automatically feed narrative into reports set out in a standard format. Our detailed testing highlighted that clear, concise reports are issued in good time following the conclusion of audits. Draft reports are subject to a quality check by a cold read of the report by someone not involved in the detailed work.

Reports acknowledge satisfactory performance as well as highlighting areas for improvement.

Draft reports are sent out to relevant managers and chief officers, with an acknowledgement of receipt of final reports required from chief officers.

An overall Internal Audit Opinion on the Council's system of internal control is given in the annual governance review, which considers evidence from the Risk and Assurance Map and IA activity. The relevant report includes a statement on compliance with the PSIAS.

Monitoring progress

There is a formal follow-up procedure where audit recommendations are made (low risk recommendations are not followed-up). Our file reviews confirmed that recommendations had been followed up where appropriate. Target implementation dates for actions arising from recommendations are recorded in MKI for future follow-up.

There is a high implementation rate of IA recommendations, and this is reported to the AGC as part of the performance monitoring of IA.

Communicating the acceptance of risks

The Audit Manual sets out the processes required where recommendations are not accepted by managers. Reports are sent to the relevant Chief Officer highlighting the issue and requesting a response.

In practice, when risk is deemed to be at an unacceptable level, the HAPPM brings the matter to the attention of the AGC, which is in line with PSIAS. We found that the Audit Manual included the wording of the relevant Standard, but had not included this process in the relevant detailed paragraph. The wording in the Audit Manual is to be amended to address this minor inconsistency.

CONTACT

Partner: Cameron Waddell

Phone: 0191 383 6300

Mobile: 0781 375 2053

Email: cameron.waddell@mazars.co.uk

Senior Manager: Diane Harold

Phone: 0191 383 6322

Mobile: 07971 513 174

Email: diane.harold@mazars.co.uk

Joint Transport Committee – Audit Committee

Date: 12 September 2019

Subject: Joint Transport Committee Internal Audit Plan 2019/20

Report Of: Senior Manager – Assurance, Sunderland City Council

Executive Summary

This report provides members of North East Joint Transport Committee – Audit Committee with the proposed Internal Audit Strategy, Audit Plan and performance measures for 2019/20.

The Terms of Reference of the Audit Committee included within the Standing Orders of the North East Joint Transport Committee (JTC) state that the Audit Committee should receive on an annual basis, *'Internal Audit's Strategic Audit Plan, including Internal Audit's terms of reference, strategy and resources. The JTC Audit Committee will approve, but not direct, the JTC Strategic Audit Plan'*.

The report identifies that it is intended, as part of the draft Audit Plan for 2019/20, to carry out two audits. These relate to the following areas:

- a) Governance arrangements.
- b) Project management and procurement arrangements.

The internal audit service is provided to JTC by the internal auditors of Sunderland City Council, who will undertake the work and report their findings to the JTC Audit Committee.

Recommendations

The Audit Committee is invited to consider and, if appropriate, make comment on the proposed Internal Audit Strategy and Audit Plan for 2019/20 which includes the key performance measures for the provision of the internal audit service.

1 Background Information

- 1.1 The Terms of Reference of the Audit Committee included within the Standing Orders of the North East Joint Transport Committee (JTC) state that the Audit Committee should receive on an annual basis, *'Internal Audit's Strategic Audit Plan, including Internal Audit's terms of reference, strategy and resources. The JTC Audit Committee will approve, but not direct, the JTC Strategic Audit Plan'*. The submission of this report seeks to allow the Audit Committee to fulfil this requirement.
- 1.2 The internal audit service is provided to JTC by the internal auditors of Sunderland City Council.

2. Proposals

- 2.1 The draft Internal Audit Strategy is set out in Appendix 1. It sets out how the service will be delivered, the roles and responsibilities of each party and Internal Audit's role in providing assurance regarding the activities of the JTC to its stakeholders.
- 2.2 The draft Audit Plan 2019/20 is set out in Appendix 2. The Audit Plan covers Internal Audit's key performance measures and outlines the proposed internal audit work for the JTC.
- 2.3 The Strategic Audit Plan for the next three years will be developed alongside the delivery of the current year's audits and presented for consideration at a future meeting of the JTC Audit Committee.

3. Reason for the Proposals

- 3.1 The JTC Audit Committee continues to fulfil an ongoing review and assurance role in relation to the governance, risk management and internal control issues of the JTC. The proposals set out in this report seeks to support the Audit Committee in fulfilling this requirement.

4. Next Steps and Timetable for Implementation

- 4.1 Delivery of the audit plan will be monitored to ensure it is delivered together with any actions arising from the audit work undertaken. Update reports will be provided to the JTC Audit Committee on a regular basis.

5. Potential Impact on Objectives

- 5.1 The development of the audit strategy and audit plan 2019/20 will not impact directly on the JTC's objectives, however the delivery of the audit plan will support the JTC by providing assurance that the internal control arrangements in place to manage risks are effective or where assurance cannot be given highlighting opportunities for improvement.

6. Finance and Other Resources Implications

- 6.1 There are no financial implications arising from this report. The internal audit service is commissioned under a Service Level Agreement between the North East Combined Authority and Sunderland City Council. The Internal Audit Service from Sunderland City Council will make available the relevant professionally qualified and experienced auditors to fulfil the requirements of the Audit Plan 2019/20.

7. Legal Implications

- 7.1 There are no legal implications arising specifically from this report.

8. Key Risks

- 8.1 There are no risk management implications from this report.

9. Equalities and Diversity

- 9.1 There are no equalities and diversity implications arising from this report.

10. Crime and Disorder

- 10.1 There are no crime and disorder implications directly arising from this report.

11. Consultation /Engagement

- 11.1 The Head of Paid Service, Monitoring Officer, Chief Finance Officer and the JTC's Proper Officer for Transport have been consulted on the draft Audit Strategy and Audit Plan 2019/20.

12. Other Impact of the Proposals

- 12.1 The proposals comply with the principles of decision making. Relevant consultation processes have been held where applicable.

13. Appendices

Appendix 1 – 'Audit Strategy' shows how the internal audit services will be delivered.

Appendix 2 – 'Audit Plan 2019/20 provides a description of the audit work to be carried out during 2019/20.

14. Background Documents

- 14.1 JTC Standing Orders.

15. Contact Officers

Tracy Davis – Senior Manager – Assurance, Sunderland City Council.

Tracy.Davis@sunderland.gov.uk

Telephone - 0191 5612861

16. Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓
- Managing Director, Transport North East (Proper Officer for Transport)✓

Internal Audit Strategy

1. Provision of Internal Audit

- 1.1 Sunderland City Council's internal auditors have been appointed to provide the internal audit service to the North East Joint Transport Committee (JTC).

2. Professional Standards

- 2.1 The Internal Audit Service of Sunderland City Council operates in accordance with the Public Sector Internal Audit Standards. These standards adopt the principle requirements of the Institute of Internal Auditors, which cover internal audit standards across all sectors, and adapt them to be relevant to public sector bodies within the UK. The standards set out the professional practice for internal auditing and are the means by which the conduct of any individual auditor or internal auditing organisation can be measured. The standards are just as relevant to the JTC as they are to any Council.
- 2.2 The Internal Audit Service maintains a quality manual which sets out the policies and procedures required to meet the standards set out above. Periodic external reviews are conducted to ensure that they are complied with.

3. Role of Internal Audit

- 3.1 The role of Internal Audit for the JTC is to undertake appropriate audit work to provide independent assurance to the JTC on its overall system of internal control. To fulfil this role internal audit will consider the strategic risk register of the JTC and/or undertake an audit risk assessment, in consultation with the JTC to determine the priority areas for audit activity. This will include consultation with the Audit Committee. Internal Audit activity will also cover activity in relation to anti-fraud and corruption.
- 3.2 Assurance will be provided to Senior Management of the JTC and the JTC Audit Committee on the findings of Internal Audit work. As the JTC is 'hosted' by the North East Combined Authority (NECA), NECA also has an interest in the control arrangements in place. As such, the JTC is included within the assurance arrangements of NECA. Consequently, the summary results of assurances gathered from the JTC by Internal Audit are provided to NECA.

Likewise, the JTC has an interest in assurances regarding NECA functions upon which the JTC rely. Where these assurances are provided then a summary of the assurances gathered by NECA should be provided to the JTC Audit Committee.

4. Planning and Resources

- 4.1. In developing the coverage of internal audit work it is appropriate to cover the key risk areas of the JTC over a period of years. The frequency and scope of the work is driven by an assessment of risk in consultation with key officers conducting activity for the JTC and a review of key documents. The JTC's strategic risk register will be considered in determining the proposed audit coverage and/or an audit risk assessment will be undertaken in consultation with

the JTC. Consultation will also take place with the Audit Committee in order to consider any areas of concern that the Committee would like included within the audit plan. This will ensure that the audit plan is supportive of the JTC as well as providing assurance on the key risk areas.

5. Skills and Competence

1.1. The internal audit service encourages its staff to obtain and hold professional qualifications and supports staff in this regard. The service has a pool of skills and experience, including IT auditors. The head of internal audit and the senior managers are professionally qualified and all staff are trained to deliver work to professional / quality standards which includes a senior officer review of each piece of work to ensure the standards are complied with.

1.2. The overall staffing compliment for the service includes staff with the following qualifications:

| | |
|--|---|
| Qualified Accountants: | 3 |
| Institute of Internal Auditors - Professional Level: | 3 |
| Institute of Internal Auditors – Practitioner Level: | 1 |
| Association of Accounting Technicians: | 3 |
| Qualification in Computer Audit: | 2 |

** please note that some staff hold more than one qualification*

6. Performance Indicators

1.1. A range of performance indicators are maintained covering Cost and Efficiency, Quality and Customer Satisfaction. Performance in relation to the JTC will be reported where appropriate. Performance indicators measured include those in relation to each audit, client satisfaction through the return of post audit questionnaires and the percentage of agreed actions which are implemented by the agreed implementation date.

7. Reporting

7.1. Reports will be provided to Senior Management and the Audit Committee covering the following:

- Internal Audit Strategy (when appropriate) and annual Audit Plan.
- Internal Audit Progress Reports.
- Internal Audit Annual Report following the end of each financial year.

7.2. A summary of each audit report will be provided within the Internal Audit Progress Report along with an update of the current position in relation to performance indicators.

7.3. The head of internal audit will have direct access to the Head of Paid Service and the Chair of the JTC Audit Committee where considered appropriate. These issues may also be reported to the Chief Finance Officer if they are considered significant enough.

7.4. As mentioned in paragraph 3.2, Internal Audit will also be reporting on the

assurances gathered for the JTC to NECA, as the 'host authority' to the JTC and where relevant from NECA to the JTC. This takes the form of an update of the JTC's Risk and Assurance Map (on which the relevant NECA functions are included) to the JTC's Statutory Officers and Audit Committee.

Internal Audit Plan 2019/20**1. Introduction**

This document presents the Internal Audit Plan for 2019/20 including the key performance measures for Internal Audit. The Plan has been developed for the first year of the operation of the JTC only, a strategic plan will be developed during this year covering the next three years.

2. Division of Responsibilities

- 2.1 It is management's responsibility to manage the systems of the JTC to ensure that risks are managed, an appropriate system of internal control is maintained, and its assets adequately protected. This includes ensuring that controls are in place to guard against error, potential fraud and corruption, and that there is efficiency and effectiveness in how the systems are operated.
- 2.2 Internal Audit independently reviews how effectively management discharges this aspect of its responsibilities by evaluating the effectiveness of systems and controls and providing objective analyses and suggesting areas for improvement. Management retains full ownership and responsibility for the implementation of any agreed actions within the agreed timescales.

3. Development of the Plan

- 3.1. For the first year of the JTC's operation the plan was developed based on consultation with the JTC's statutory officers and a view as to the key arrangements and procedures that should be reviewed within the first year to enable the Annual Governance Statement to be prepared. A three year strategic audit plan will be developed, in consultation with the JTC during the year.
- 3.2. As specific areas of concern or irregularity may require investigation as and when they arise, a small contingency is made for this work. Should a significant piece of work be required there may be a need to replace a planned audit, in consultation with the JTC.
- 3.3 Where individual audits cannot be undertaken as originally planned (e.g. service no longer provided), attempts will be made to replace the audit with a suitable replacement in consultation with the JTC's Chief Finance Officer. Where these changes are agreed this shall be considered a variation to this Plan for the purposes of performance reporting.
- 3.4 Time has also been allocated for the provision of advice and guidance on internal control matters.

4 Planned Audit Work for 2019/20

- 4.1 The following audits are planned.

Governance Arrangements

4.2 As the JTC is new it is considered appropriate to review how the established governance arrangements are working and ensure that they are operating as envisaged when the JTC was being established.

4.3 The scope of the audit includes the following:

Roles and responsibilities

Development and Delivery of the JTC's Business Plan

Decision making (including delegation scheme)

Key company policies and procedures, e.g. performance management, procurement, financial procedures, business continuity, whistleblowing, fraud and corruption.

Project Management, Procurement and Contract Management Procedures

4.4 Audit work in relation to key operational procedures of the JTC will be undertaken to ensure that there are appropriate controls in place, that are operating consistently. Given the future activities of the JTC it is important to gain assurance that these key areas are working effectively.

4.5 The scope of the audit includes the following:

Project management

Procurement

Contract Management

Financial monitoring and reporting

Benefits realisation.

5 Reporting Protocols

5.1 At the conclusion of each individual audit a draft report and, if necessary, a proposed action plan will be forwarded to the appropriate manager. Once agreement has been reached, a final report (including any agreed action plan) will be forwarded to the relevant senior officer and the Head of Paid Service. Where audits highlight issues which need to be brought to the attention of the Chief Finance Officer they will be raised as and when necessary.

5.2 Senior Management and the Audit Committee will be updated on progress against the audit plan on a twice yearly basis.

5.3 An Annual Report will be prepared for the Audit Committee, in order to give assurance, or otherwise, regarding the JTC's internal control environment

6 Performance Management

6.1 All work undertaken will be in accordance with the internal audit service's policies and procedures, which are based upon the Public Sector Internal Audit Standards.

6.2 The Key Performance Indicators which will be used to measure the performance of the service throughout the year are shown in Annexe 1.

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2019/20

Efficiency and Effectiveness

| Objectives | KPIs | Targets |
|---|---|--|
| 1) To ensure the service provided is effective and efficient. | 1) Complete sufficient audit work to provide an opinion on the corporate risk areas | 1) All corporate risk areas covered over a 3 year period |
| | 2) Percentage of draft reports issued within 15 days of the end of fieldwork | 2) 90% |
| | 3) Percentage of audits completed by the target date | 3) 85% |

Quality

| Objectives | KPIs | Targets |
|---|--|---|
| 1) To maintain an effective system of Quality Assurance | 1) Opinion of External Auditor | 1) Satisfactory opinion |
| 2) To ensure recommendations made by the service are agreed and implemented | 2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented | 2) 100% for high and significant. 90% for medium risk |

Client Satisfaction

| Objectives | KPIs | Targets |
|---|---|---|
| 1) To ensure that clients are satisfied with the service and consider it to be good quality | 1) Results of Post Audit Questionnaire | 1) Overall average score of better than 1.5 (where 1=Good and 4=Poor) |
| | 2) Results of Audit Questionnaire | 2) Results classed as 'good' |
| | 3) Number of complaints and compliments | 3) No target – actual numbers will be reported |

Joint Transport Committee – Audit Committee

Date: 12 September 2019

Subject: Joint Transport Committee Draft Strategic Risk Register

Report Of: Senior Manager – Assurance, Sunderland City Council

Executive Summary

This report provides members of the Committee with an initial assessment of the strategic risks the North East Joint Transport Committee (JTC) faces as it seeks to achieve its objectives.

Eight strategic risks have been identified, of which six have been assessed as having a significant level of risk attached to them. Mitigating actions have been identified to ensure the risks are being managed to a satisfactory level.

Causes for risks to be assessed as significant relate to:

- a) Current uncertainty as to government policy in relation to transport
- b) Current uncertainty surrounding the proposed exit of the UK from the EU
- c) The recent change to have two Combined Authorities within the North East region and the consequent requirement to reconfigure arrangements, e.g. governance which is ongoing

Recommendations

The Audit Committee is asked to review the draft Strategic Risk Register and comment on its content, including any additional strategic risks that should be considered for inclusion.

1 Background Information

- 1.1 The North East Combined Authority (NECA) was established in April 2014 and brought together seven councils within the North East. As a result of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 ('the Order') the North of Tyne Combined Authority (NoTCA) was created, and the boundaries of NECA changed on the 2 November 2018. NECA now covers the local authorities of Durham; Gateshead, South Tyneside and Sunderland; and NoTCA covers Newcastle, North Tyneside and Northumberland.
- 1.2 The two Combined Authorities have responsibility for transport; however, as the former Tyne & Wear passenger transport authority area (and its passenger transport executive, Nexus) straddle the two combined authorities, the Order also provided that they must establish a Joint Transport Committee to exercise all transport functions. Hence the JTC was created.
- 1.3 The JTC defines its strategic risks as those matters which, if they were to occur, could have a material adverse impact upon the achievement of the JTC's objective to provide integrated, affordable, attractive, reliable, safe, healthy, transport choices in the North East (LA7) area which meets the needs of businesses, residents and visitors, supports economic activity whilst enhancing the environment.
- 1.4 This report offers the JTC's Audit Committee its first opportunity since its creation to consider the nature and level of risk the JTC faces in seeking to achieve its overall objective. Given the early stages of the JTC it is acknowledged that this initial assessment of the risks faced is likely to change as the organisation develops and the uncertainties around funding are clarified. The strategic risks identified are largely based on a review of the JTC's governance documents and discussions with NECA and JTC's statutory officers.

2. Proposals

- 2.1 The Register identifies 8 strategic risks. These are:
 - a) Sources and levels of funding available to the JTC to develop the North East regions transport infrastructure within the region may reduce.
 - b) Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region.
 - c) Funding secured for transport initiatives within the North East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects.
 - d) The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives.

- e) The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans.
 - f) Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.
 - g) Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.
 - h) Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.
- 2.2 The 'Strategic Risks Summary' at Appendix 1 shows the eight risk areas and for each risk provides a current RAG rating to provide a guide as to the level of risk the JTC current faces for that risk. The direction of travel will be updated once the risks are agreed and are kept under review.
- Appendix 2 'Strategic Risk - Details' provides a detailed description of the nature of each risk together with the relevant controls in place and controls and milestones.
- Appendix 3 'Risk Analysis Toolkit' shows the risk scoring matrix that has been applied to assess the level of risk for each of the JTC strategic risks.
- 2.3 The Strategic Risk Register for regional transport will continue to be reviewed to record, monitor and report the strategic risks to the Audit Committee at 3 monthly intervals, with support from officers. Where appropriate, the risks will also be provided to NECA's Audit and Standards Committee for information.

3. Reason for the Proposals

- 3.1 The Audit Committee continues to fulfil an ongoing review and assurance role in relation to the governance, risk management and internal control issues of the JTC.

4. Next Steps and Timetable for Implementation

- 4.1 The Strategic Risk Register will be regularly reviewed by Internal Audit to ensure the mitigation plans are delivered. Update reports will be provided to the JTC Audit Committee.

5. Potential Impact on Objectives

- 5.1 The development of the Strategic Risk Register will not impact directly on the JTC's objectives, however the approach to strategic risk management will support the JTC by acknowledging the most significant threats and putting plans in place to manage them.

6. Finance and Other Resources Implications

- 6.1 There are no financial implications arising from this report. The internal audit service is commissioned under a Service Level Agreement between the North East Combined Authority and Sunderland City Council. The services include strategic risk management. The Internal Audit Service from Sunderland City Council will make available the relevant professionally qualified and experienced auditors to fulfil the requirements of the Audit Plan 2019/20 and strategic risk management.

7. Legal Implications

- 7.1 There are no legal implications arising specifically from this report.

8. Key Risks

- 8.1 The report identifies what are considered to be the key strategic risks to the achievement of the JTC's overall objectives.

9. Equalities and Diversity

- 9.1 There are no equalities and diversity implications arising from this report.

10. Crime and Disorder

- 10.1 There are no crime and disorder implications arising from this report.

11. Consultation /Engagement

- 11.1 The Head of Paid Service, Monitoring Officer, Chief Finance Officer and the JTC's Proper Officer for Transport have been consulted on the Strategic Risk Register.

12. Other Impact of the Proposals

- 12.1 The proposals comply with the principles of decision making. Relevant consultation processes have been held where applicable.

13. Appendices

Appendix A – 'Risks Summary' shows the JTC's strategic risks and the level of risk associated with each.

Appendix B – 'Strategic Risks – Details' provides a detailed assessment of the JTC's and actions identified to reduce the overall risk exposure.

Appendix C – Risk Analysis Toolkit determines the level of risk attached to each Risk.

14. Background Documents

- 14.1 The latest [Nexus risks](#) can be found on the NECA website as part of the North East Joint Transport Committee, Tyne and Wear Sub-Committee, which focuses on transport issues for both NECA and the North of Tyne Combined Authority within the Tyne and Wear Area.

15. Contact Officers

Tracy Davis – Senior Manager – Assurance, Sunderland City Council.
Tracy.Davis@sunderland.gov.uk
Telephone - 0191 5612861

16. Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓
- Proper Officer for Transport ✓

| Strategic Risks - Summary | | |
|---|-------------------------|----------------------|
| Risk Title & Description | Risk Level (RAG Rating) | Direction of Travel* |
| JTC Strategic Risks | | |
| <u>1 Future Availability of Funding</u> | | |
| Sources and levels of funding available to the JTC to develop the North East regions transport infrastructure within the region may reduce. | Amber 8 | N/a |
| <u>2 Funding Opportunities</u> | | |
| Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region. | Amber 8 | N/a |
| <u>3 Use of Funding and Resources</u> | | |
| Funding secured for transport initiatives within the North East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects. | Amber 8 | N/a |
| <u>4 Governance Arrangements</u> | | |
| The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives | Amber 8 | N/a |
| <u>5 Operational Capacity and Resourcing</u> | | |
| The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans. | Amber 8 | N/a |
| <u>6 Delivery of Transport Improvement Projects/Programmes</u> | | |
| Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need. | Amber 8 | N/a |
| <u>7 Transport Infrastructure Assets</u> | | |
| Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained. | Green 6 | N/a |
| <u>8 Service Delivery</u> | | |
| Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners. | Green 6 | N/a |

* As this is the first assessment of the strategic risks of the JTC it is not possible to assess the direction of travel in comparison to earlier assessments. The direction of travel will be made in subsequent assessments

Strategic Risks - Details

| | |
|---|---|
| <p>1 <u>Future Availability of Funding</u></p> <p>Sources and levels of funding available to the JTC to develop the North East regions transport infrastructure within the region may reduce.</p> | <p><u>Risk Owner</u> Head of Paid Service</p> <p><u>Risk Score</u></p> <p>Amber 8</p> <p>Likelihood – Low 2 Impact – Critical 4</p> |
| <p>Possible Cause(s):</p> <ol style="list-style-type: none"> 1 A downturn in the UK economy may cause the UK government to reduce funds available for the development of transport infrastructure as part of expenditure cutting exercises nationally. 2 A No Deal EU Exit may have a negative impact on the UK economy particularly in the short term. This may influence the availability of transport funding. In this scenario new funding from the EU would be lost. 3 A change in UK government transport policy may mean Government policy may not be aligned to support the transport developments and needs of the North East region. This may have an adverse effect on the achievement of transport goals in the North East e.g. transport funding to be concentrated in only certain geographic areas excluding the North East or certain types of transport scheme e.g. rail not road which may not be in line with JTC plans. | |
| <p>Potential Impact/Consequence:</p> <p>The JTC would not able to deliver projects to either maintain infrastructure to ensure adequate public transport services are maintained or to improve infrastructure to enhance transport services. This would hinder future economic growth within the region.</p> | |
| <p><u>Controls (already in place)</u></p> <ul style="list-style-type: none"> • JTC members, NECA officers supporting the JTC and partners of the JTC e.g. local Councils continue to lobby and engage with the UK government at national and subnational level i.e. Transport for the North (TfN) to: <ol style="list-style-type: none"> a) ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known and b) persuade government to make transport funding a priority. • JTC work with other potential partners to identify new non-government funding sources which may help to progress the delivery of the JTC transport plans. | |
| <p>Further Mitigating Actions</p> <p>A review is to be carried out to produce and publish an updated transport vision and transport plan which is evidence based and sets out how transport needs will be addressed taking into account relevant government policies.</p> | <p>Lead Officer(s)</p> <p>Tobyn Hughes Managing Director, North East</p> |

| | |
|--|--|
| <p>2 Funding Opportunities</p> <p>Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region.</p> | <p><u>Risk Owner</u> Head of Paid Service</p> <p><u>Risk Score</u></p> <p>Amber 8</p> <p>Likelihood – Low 2 Impact – Critical 4</p> |
| <p>Possible Cause(s):</p> <ol style="list-style-type: none"> 1. Funding opportunities are missed due to lack of awareness or missing relevant deadlines. 2. Poor quality of funding applications made by JTC 3. Funding may be made available through a competitive process. Strong applications from funding competitors may result in any funding application not being successful at all or only a proportion of the funds applied for being awarded. | |
| <p>Potential Impact/Consequence:</p> <p>If opportunities are missed or not maximised by the JTC then progression of plans to deliver the transport improvements required by the region will be significantly delayed. Consequently, the benefits associated with the transport will not be fully realised or delayed e.g. supporting economic growth.</p> | |
| <p><u>Controls (already in place)</u></p> <ul style="list-style-type: none"> • JTC officers' horizon scan to identify upcoming funding opportunities. • JTC are in regular contact with the UK government and other funding bodies to identify funding opportunities early. • JTC has established relationships with other bodies at a sub national (e.g. TfN) and local level e.g. councils, universities etc to allow the JTC to work in partnership, where applicable, to exploit funding opportunities by submitting bids for transport funding to benefit the region. • JTC and its partners lobby relevant government bodies to persuade transport infrastructure schemes required for the North East to be included in key government schemes. • The Managing Director, Transport North East and officers of the Regional Transport Team (RTT) have experience, skills and knowledge to submit strong bids for funding. They are familiar with the requirements needed for submitting bids and the process to go through. • All projects included in a bid are subject to scrutiny using the RTT's 'Transport Assurance Framework' to ensure the proposed projects are in line with the JTC objectives and plans and meets the bid criteria. • During any application process the RTT liaises with the provider to understand clearly what it is looking for. | |
| <p>Further Mitigating Actions</p> <p>A review is to be carried out to produce and publish an updated transport vision and transport plan which is evidence based and sets out how projects will be delivered to meet transport needs with a strong business case.</p> | <p>Lead Officer(s)</p> <p>Tobyn Hughes Managing Director, North East</p> |

| | |
|---|--|
| <p>3 <u>Use of Funding and Resources</u></p> <p>Funding secured for transport initiatives within the North East region by the JTC and its partners may not be able to be used on a timely basis, not be sufficient to complete intended projects.</p> | <p><u>Risk Owner</u> Head of Paid Service</p> <p><u>Risk Score</u></p> <p>Amber 8</p> <p>Likelihood – Low 2 Impact – Critical 4</p> |
| <p>Possible Cause(s):</p> <ol style="list-style-type: none"> 1 Poor project management. 2 Inaccurate assessment of projects costs when submitting funding bids. 3 Uncertainties created by the prospect of a UK exit from the EU may make suppliers reticent to bid for contracts let to deliver projects or may cause prices to be inflated to account for extra risks e.g. exchange rates. 4 Uncertainties of a 'No Deal' Brexit may cause delays due to difficulties in obtaining relevant goods and services at the appropriate time. 5 Delays and costs for a project due to unforeseen events. 6 Lack of understanding of funding conditions including timescales. 7 Insufficient capacity and skills to manage projects. 8 Fraud and corruption. | |
| <p>Potential Impact/Consequence:</p> <ol style="list-style-type: none"> 1 Transport projects may not be completed or have to be delayed or the size of project reduced e.g. quality, quantity which may result in intended benefits not being realised and damage to the reputation of the JTC. 2 If the funding is not used by a deadline then funding may be lost. 3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans. | |
| <p><u>Controls (already in place)</u></p> <ul style="list-style-type: none"> • The Managing Director, Transport North East and officers of the Regional Transport Team (RTT) have experience, skills and knowledge to submit strong bids for funding. They are familiar with the requirements needed for submitting bids and the process to go through. • All projects included in a bid are subject to scrutiny using the RTT's 'Transport Assurance Framework' to ensure the proposed projects is in line with the JTC objectives and plans and meets the bid criteria. • Projects delivered by the JTC directly are managed using recognised project management principles. The RTT has the experience and skills to manage projects. • Where projects are delivered by the JTC's partners e.g. Nexus, the JTC has arrangements in place to gain assurance that the projects are progressing as expected and where not, corrective actions are being taken to effectively manage the key issues e.g. regular reporting by partners. • Where transport projects are to be delivered by an external supplier then any work let is subject to a competitive procurement process. • Where funding is provided through the JTC to third parties to deliver a transport project all third parties have a funding agreement in place which includes the need for the third party to provide details as to progress regarding costs and progress of the project. JTC officers monitor progress on an ongoing basis. • Funding providers provide clear conditions as to the use of funds which is published to all relevant stakeholders. • JTC officer are subject to relevant codes of conduct | |

| Further Mitigating Actions | Lead Officer(s) |
|---|--|
| <p>Delivery plans and programmes are to be kept under review in light of any issues which may affect funding secured to be used on a timely basis or may mean secured funding may not be sufficient to deliver the intended programmes. Appropriate prompt action is taken to address issues which may arise.</p> | <p>Tobyn Hughes (Managing Director, North East) John Hewitt (NECA Finance Officer)</p> |

| | |
|---|---|
| 4 Governance Arrangements The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives | Risk Owner Head of Paid Service |
| | Risk Score |
| | Amber 8 |
| | Likelihood – Low 2 Impact – Critical 4 |
| Possible Cause(s): New organisational arrangements have been put in place as a result of the creation of a Mayoral Combined Authority for North of Tyne. Two new Combined Authorities have been established together with the North East Transport Committee being responsible for regional transport which is accountable to the new Combined Authorities. As a result, there is a risk that new governance arrangements may not be effective due to: <ul style="list-style-type: none"> • Lack of capacity to support the governance arrangements • Lack of clarity of roles and responsibilities • Lack of development of new working arrangements or delays in implementing proposed changes • Priorities not aligned to new arrangements. | |
| Potential Impact/Consequence: Poor decisions may be made which are not in the interest of the North East region. Decisions may be delayed, not taken at the appropriate level or not based on the correct information. Lack of clarity of roles and responsibilities may lead to the JTC not adequately fulfilling its statutory functions adequately, not monitoring its finances, having a lack of clarity over its objectives, not ensuring adequate transport services delivered to the public and improvements in transport infrastructure not being delivered. This may lead to having a poor reputation, losing out on funds, poor value for money being achieved and poor transport service provision. | |
| Controls (already in place) <ul style="list-style-type: none"> • The seven Local Authorities have approved a Deed of Cooperation which sets out operational working between the 7 Local Authorities and the two Combined Authorities. • The Combined Authorities Reconfiguration Programme (CARP) is overseeing the transformation including data/asset transfers, service and employee changes, updating legal documentation and financial transfers affecting each body including those affecting the JTC. • The Statutory Order provides for the existence of the JTC and specifies its current membership and functions. • Formal decision-making committees including Joint Transport Committee and sub-committees are operational. • The 7 LAs continue to work together using agreed joint working arrangements i.e. regular officer meetings of Chief Executives, Finance Directors, Monitoring Officers and Heads of Transport, plus formal Transport and Governance Committees. • All 7 LAs continue to support the JTC and its activities. • The JTC has its own Standing Orders outlining its functions and that of its sub committees, its rules of procedure and the roles of statutory officers. Decisions at committee meetings are based on a majority vote basis although the aim is to have a consensual approach whereby all committee members agree on any decision. • The statutory role of 'Proper Officer for Transport' was established by the Statutory Order. A job description has been developed which clarifies the role including leading the Regional Transport Team. The post incorporates not only the role of Proper Officer for Transport accountable to the JTC but also the Director General of Nexus, a key deliverer of transport policy and services in the region. | |
| Further Mitigating Actions | Lead Officer(s) |
| The Combined Authorities Reconfiguration Programme (CARP) will continue to oversee the development of the arrangements within the combined | Martin Swales (NECA, Head of Paid |

| | |
|--|---|
| authorities. The two combined authorities and the JTC are working together to implement the changes. This work will continue throughout 2019. | Service) |
| Review of the powers delegated by the JTC to officers supporting its work e.g. statutory officers including Proper Officer for Transport; NECA, Regional Transport Team officers. | Tobyn Hughes (Managing Director Transport North East) Mike Harding (NECA Monitoring Officer) |
| Review of roles, responsibilities, and arrangements regarding the activities of the Regional Transport Team including business planning, performance management, project assurance, overseeing of delivery programmes etc. and implementation of revised arrangements. | Tobyn Hughes (Managing Director Transport North East) Mike Harding (NECA Monitoring Officer) |

| | |
|--|--|
| <p>5. Operational Capacity and Resourcing</p> <p>The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the Committee's objectives and plans.</p> | <p><u>Risk Owner</u> Head of Paid Service</p> <p><u>Risk Score</u></p> <p>Amber 8</p> <p>Likelihood – Low 2 Impact – Critical 4</p> |
| <p>Possible Cause(s):</p> <p>Due to two Combined Authorities operating within the North East region rather than one, by statutory order the JTC was formed to carry out the transport function responsibilities of the two Combined Authorities. NECA is the accountable body for the new JTC and has extra responsibility for implementing the decisions of the JTC, providing support to the JTC committees and managing the JTC's finances. It is uncertain how much resource will be needed by NECA officers and committee members moving forward therefore the current budget may be insufficient.</p> <p>Statutory officers to NECA, the accountable body for the JTC, need to carry out duties for their main employer in addition to their roles in NECA which may result in capacity issues. Likewise, the Managing Director, Transport North East fulfil two roles, one for the JTC and one for Nexus. Support services provided to NECA and the JTC are provided from Council's which are part of NECA</p> | |
| <p>Potential Impact/Consequence:</p> <p>Decisions may be delayed, or incomplete information provided as part of the decision-making process. Functions may not be carried out as quickly or as fully as they should be leading to loss of money, incorrect decisions, and loss of credibility of JTC.</p> | |
| <p><u>Controls (already in place)</u></p> <ul style="list-style-type: none"> • All statutory officers in NECA, accountable body for the JTC are in place. Deputy statutory officers are also in place for NECA. • The 'Proper Office for Transport' to the JTC is in place. • Representatives from the 7 councils in the North East area have been appointed to the JTC and the Tyne Wear Sub Committee. Deputies have also been appointed. • The JTC have adopted a budget for 2019/20 to deliver JTC activities. • The Regional Transport Team, made of seconded officers from Councils and Nexus, is in place to support the delivery of the JTC objectives. • Partners continue to provide input to the work of the JTC via, for example, Council transport leads. • Where appropriate, external consultants, are employed to provide specialist expertise to support the work of the JTC and to protect its interests e.g. advice in respect of possible changes to the contract to manage and operate the Tyne Tunnel services. • A further finance officer has been employed by NECA to help meet the extra demands of NECA as the Accountable Body for the JTC. | |
| <p>Further Mitigating Actions</p> | <p>Lead Officer(s)</p> |
| <p>As part of a current review of roles, responsibilities, and arrangements regarding the activities of the Regional Transport Team an assessment is being made of its role and the capacity and skills required to meet the role.</p> | <p>Tobyn Hughes (Managing Director Transport North East)</p> |
| <p>As the new JTC arrangements are embedded a review is to be made of the effectiveness of the support provided to the JTC to ensure they are adequate.</p> | <p>John Hewitt (NECA Finance Officer) Tobyn Hughes (Managing Director Transport North East)</p> |

| | |
|--|--|
| <p>6 <u>Delivery of Transport Improvement Projects/Programmes</u></p> <p>Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.</p> | <p><u>Risk Owner</u> Head of Paid Service</p> <p><u>Risk Score</u></p> <p>Amber 8</p> <p>Likelihood – Low 2 Impact – Critical 4</p> |
| <p>Possible Cause(s):</p> <ol style="list-style-type: none"> 1 Poor project management. 2 Inaccurate assessment of projects costs when submitting funding bids. 3 Uncertainties created by the prospect of a UK exit from the EU may make suppliers reticent to bid for contracts let to deliver projects or may cause prices to be inflated to account for extra risks e.g. exchange rates. 4 Uncertainties of a 'No Deal' Brexit may cause delays due to difficulties in obtaining relevant goods and services at the appropriate time. 5 Delays and costs for a project due to unforeseen events. 6 Insufficient capacity and skills to manage projects. 7 Fraud and corruption. | |
| <p>Potential Impact/Consequence:</p> <ol style="list-style-type: none"> 1 Transport projects may not be completed or have to be delayed or the size of project reduced e.g. quality, quantity which may results intended benefits not being realised and damage to the reputation of the JTC. 2 If the funding is not used by a deadline then funding may be lost. 3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans. | |
| <p><u>Controls (already in place)</u></p> <ul style="list-style-type: none"> • The Managing Director, Transport North East and officers of the Regional Transport Team (RTT) have experience, skills and knowledge to submit strong bids for funding. They are familiar with the requirements needed for submitting bid and the process to go through. • All projects included in a bid are subject to scrutiny using the RTT's 'Transport Assurance Framework' to ensure the proposed projects is in line with the JTC objectives and plans and meets the bid criteria. • Projects delivered by the JTC directly are managed using recognised project management principles. The RTT has the experience and skills to manage projects. • Where projects are delivered by the JTC's partners e.g. Nexus, the JTC has arrangements in place to gain assurance that the projects are progressing as expected and where not, corrective actions are being taken to effectively manage the key issues e.g. regular reporting by partners. • Where transport projects are to be delivered by an external supplier then any work let is subject to a competitive procurement process. • Where funding is provided through the JTC to third parties to deliver a transport project all third parties have a funding agreement in place which includes the need for the third party to provide details as to progress regarding costs and progress of the project. JTC officers monitor progress on an ongoing basis. • Funding providers provide clear conditions as to the use of funds which is published to all relevant stakeholders. • JTC officer are subject to relevant codes of conduct | |
| <p>Further Mitigating Actions</p> | <p>Lead Officer(s)</p> |
| <p>Monitoring of the delivery of the overall JTC programme of projects</p> | <p>Tobyn Hughes</p> |

should be carried out on a regular basis.

(Managing Director Transport
North East)

| | |
|--|--|
| 7 <u>Transport Infrastructure Assets</u> Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained | <u>Risk Owner</u> Head of Paid Service |
| | <u>Risk Score</u> |
| | Green 6 |
| | Likelihood – Low 2 Impact – Significant 3 |
| Possible Cause(s): 1 Lack of awareness of the existence of the asset. 2 Lack of clarity as to who has responsibility for the management and maintenance of the assets. 3 Lack of clarity as to standards required. 4 Lack of resources to maintain the assets. | |
| Potential Impact/Consequence: 1 Greater financial resources may be needed to rectify faults arising from poor maintenance. 2 Failures in transport infrastructure assets may affect services delivered to transport users leading to disruption and complaints and a drop in usage. If the funding is not used by a deadline then funding may be lost. 3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans. | |
| <u>Controls (already in place)</u> 1 JTC's constitution makes it clear it has overall responsibility and oversight for transport infrastructure assets owned by NECA and North of Tyne Combined Authority. 2 The JTC holds a record of assets it is responsible for. 3 Responsibility for the maintenance of assets and the standards required are included in the relevant agreements with third party providers e.g. TT2 Ltd. As part of the agreements reports need to be submitted to JTC to gain assurance the relevant maintenance is being carried out. | |
| Further Mitigating Actions | Lead Officer(s) |
| As part of a current review of roles, responsibilities, and arrangements regarding the activities of the JTC and the Regional Transport Team an assessment is being made of the capacity and skills within the JTC to carry out its contract management responsibilities. | Tobyn Hughes (Managing Director Transport North East) |

| | |
|--|--|
| 8 <u>Service Delivery</u> Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners. | <u>Risk Owner</u> Head of Paid Service |
| | <u>Risk Score</u> |
| | Green 6 |
| | Likelihood – Low 2 Impact – Significant 3 |
| Possible Cause(s): <ol style="list-style-type: none"> 1 Lack of clarity as to the responsibilities and duties regarding the oversight of public transport services within the region. 2 Failure to appreciate the impact of maintaining adequate levels of transport services on the economic well-being and reputation of the region. 3 Lack of resources and/or expertise to put in place effective arrangements to ensure adequate levels of transport services are provided. | |
| Potential Impact/Consequence: <ol style="list-style-type: none"> 1 Loss of confidence by stakeholders, e.g. government in the JTC's ability to meet its responsibilities. 2 Loss of confidence by users of services. 3 Without oversight by the JTC, public transport providers e.g. Nexus, may not provide the required services resulting in less use of public transport and greater congestion on the roads, which is contrary to the aims and objectives of the JTC. | |
| <u>Controls (already in place)</u> <ol style="list-style-type: none"> 1 JTC's constitution makes it clear it has overall responsibility and oversight for certain statutory public transport services. 2 JTC committees i.e. Leadership Board and Tyne Wear Sub Committee receive regular reports as to the level of public transport services provided by the JTC's partners e.g. Nexus, Durham County Council, Northumberland County Council. | |
| Further Mitigating Actions An assessment needs to be made by the JTC of its arrangements to gain assurance that issues with transport service delivery causing poor service to the public faced by transport providers eg Nexus, are being addressed effectively. | Lead Officer(s) Tobyn Hughes (Managing Director Transport North East) |

North East Joint Transport Committee Audit Committee

Appendix 3

Risk Analysis Toolkit

| Determine the risk priority | | | | | |
|-----------------------------|------------|---------------|-------|-------------|----------|
| Likelihood | Impact | | | | |
| | | Insignificant | Minor | Significant | Critical |
| | High | 4 | 8 | 12 | 16 |
| | Medium | 3 | 6 | 9 | 12 |
| | Low | 2 | 4 | 6 | 8 |
| | Negligible | 1 | 2 | 3 | 4 |

| Assess the likelihood of the risk event occurring | |
|---|---|
| High | Risk will almost certainly occur |
| Medium | Risk is likely to occur in most circumstances |
| Low | Risk may occur |
| Negligible | Risk is unlikely to occur |

Assess the impact should the risk occur

| | Objective | Service Delivery | Financial | Reputational |
|----------------------|--|---|--|--|
| Critical/Showstopper | <ul style="list-style-type: none"> Over half the objectives/programmes affected More than one critical objective affected Partners do not commit to the Shared vision | <ul style="list-style-type: none"> Significant change in partner services Relationship breakdown between major partners and stakeholders Serious impact on delivery of key transport related investment plans Unplanned major re-prioritisation of resources and/or services in partner organisations Failure of a delivery programme/major project Serious impact on public transport services provided to users | <ul style="list-style-type: none"> Inability to secure or loss of significant transport funding opportunity (£5m) Significant financial loss in one or more partners (£2m) Significant adverse impact on transport budgets (£3m)) | <ul style="list-style-type: none"> Adverse national media attention External criticism (press) Significant change in confidence or satisfaction of stakeholders Significant loss of community confidence |
| Significant | <ul style="list-style-type: none"> One or more objectives/programmes affected One or more partners do not commit to shared vision Significant environmental impact | <ul style="list-style-type: none"> Partner unable to commit to joint arrangements Recoverable impact on delivery of key transport related investment plans Major project failure Impact on public transport services provided to users | <ul style="list-style-type: none"> Prosecution Change in notable funding or loss of major transport funding opportunity (£2m) Notable change in a Partners contribution Notable adverse impact on transport budget (£0.5m-£1.5m) | <ul style="list-style-type: none"> Notable external criticism Notable change in confidence or satisfaction Internal dispute between partners Adverse national/regional media attention Lack of partner consultation Significant change in community confidence |
| Minor | <ul style="list-style-type: none"> Less than 2 priority outcomes adversely affected Isolated serious injury/ill health Minor environmental impact | <ul style="list-style-type: none"> Threatened loss of partner's commitment Minor impact on public transport services provided to users | <ul style="list-style-type: none"> Minor financial loss in more than one partner Some/loss of transport funding or funding opportunity threatened | <ul style="list-style-type: none"> Failure to reach agreement with individual partner Change in confidence or satisfaction Minor change in community confidence |
| Insignif. | <ul style="list-style-type: none"> Minor effect on priorities/service objectives Isolated minor injury/ill health No environmental impact | | <ul style="list-style-type: none"> Isolated/minor financial impact in a partner organisation | |

North East Joint Transport Committee

Audit Committee

Glossary of Terms

RAG – Red/Amber/Green (denoting an assigned performance status)

Strategic Risk - relates to those factors that might have a significant effect on the successful delivery of the JTC's objectives, plans, policies and priorities.

Risk - A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities.

Risk Appetite - The level of risk that an organisation is prepared to accept in pursuit of its objectives, and before action is deemed necessary to reduce the risk.

Risk Controls or Control Processes - are those actions and arrangements which are specifically identified to be taken to lower the impact of the risk or reduce the likelihood of the risk materialising, or both of these.

Risk Matrix - a graphical representation of the Risk Severity and the extent to which the Controls mitigate it.

Risk Owner - has overall responsibility for the management and reporting of the risk.

Lead Officer(s) – given delegated responsibility from the Risk Owner to take action and manage the risk through application of the appropriate risk controls and processes.

Risk Impact - indicates the potential seriousness should the risk materialise.

Risk Likelihood - indicates the chance of a risk materialising in the time period under consideration.

Risk Score - the product of the Impact score multiplied by the Likelihood score.

Joint Transport Committee – Audit Committee

Date: 12 September 2019

Subject: Joint Transport Committee Draft Strategic Risk Register

Report Of: Senior Manager – Assurance, Sunderland City Council

Executive Summary

This report provides members of the Committee with an initial assessment of the strategic risks the North East Joint Transport Committee (JTC) faces as it seeks to achieve its objectives.

Eight strategic risks have been identified, of which six have been assessed as having a significant level of risk attached to them. Mitigating actions have been identified to ensure the risks are being managed to a satisfactory level.

Causes for risks to be assessed as significant relate to:

- a) Current uncertainty as to government policy in relation to transport
- b) Current uncertainty surrounding the proposed exit of the UK from the EU
- c) The recent change to have two Combined Authorities within the North East region and the consequent requirement to reconfigure arrangements, e.g. governance which is ongoing

Recommendations

The Audit Committee is asked to review the draft Strategic Risk Register and comment on its content, including any additional strategic risks that should be considered for inclusion.

1 Background Information

- 1.1 The North East Combined Authority (NECA) was established in April 2014 and brought together seven councils within the North East. As a result of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 ('the Order') the North of Tyne Combined Authority (NoTCA) was created, and the boundaries of NECA changed on the 2 November 2018. NECA now covers the local authorities of Durham; Gateshead, South Tyneside and Sunderland; and NoTCA covers Newcastle, North Tyneside and Northumberland.
- 1.2 The two Combined Authorities have responsibility for transport; however, as the former Tyne & Wear passenger transport authority area (and its passenger transport executive, Nexus) straddle the two combined authorities, the Order also provided that they must establish a Joint Transport Committee to exercise all transport functions. Hence the JTC was created.
- 1.3 The JTC defines its strategic risks as those matters which, if they were to occur, could have a material adverse impact upon the achievement of the JTC's objective to provide integrated, affordable, attractive, reliable, safe, healthy, transport choices in the North East (LA7) area which meets the needs of businesses, residents and visitors, supports economic activity whilst enhancing the environment.
- 1.4 This report offers the JTC's Audit Committee its first opportunity since its creation to consider the nature and level of risk the JTC faces in seeking to achieve its overall objective. Given the early stages of the JTC it is acknowledged that this initial assessment of the risks faced is likely to change as the organisation develops and the uncertainties around funding are clarified. The strategic risks identified are largely based on a review of the JTC's governance documents and discussions with NECA and JTC's statutory officers.

2. Proposals

- 2.1 The Register identifies 8 strategic risks. These are:
 - a) Sources and levels of funding available to the JTC to develop the North East regions transport infrastructure within the region may reduce.
 - b) Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region.
 - c) Funding secured for transport initiatives within the North East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects.
 - d) The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives.

- e) The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans.
 - f) Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.
 - g) Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.
 - h) Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.
- 2.2 The 'Strategic Risks Summary' at Appendix 1 shows the eight risk areas and for each risk provides a current RAG rating to provide a guide as to the level of risk the JTC current faces for that risk. The direction of travel will be updated once the risks are agreed and are kept under review.
- Appendix 2 'Strategic Risk - Details' provides a detailed description of the nature of each risk together with the relevant controls in place and controls and milestones.
- Appendix 3 'Risk Analysis Toolkit' shows the risk scoring matrix that has been applied to assess the level of risk for each of the JTC strategic risks.
- 2.3 The Strategic Risk Register for regional transport will continue to be reviewed to record, monitor and report the strategic risks to the Audit Committee at 3 monthly intervals, with support from officers. Where appropriate, the risks will also be provided to NECA's Audit and Standards Committee for information.

3. Reason for the Proposals

- 3.1 The Audit Committee continues to fulfil an ongoing review and assurance role in relation to the governance, risk management and internal control issues of the JTC.

4. Next Steps and Timetable for Implementation

- 4.1 The Strategic Risk Register will be regularly reviewed by Internal Audit to ensure the mitigation plans are delivered. Update reports will be provided to the JTC Audit Committee.

5. Potential Impact on Objectives

- 5.1 The development of the Strategic Risk Register will not impact directly on the JTC's objectives, however the approach to strategic risk management will support the JTC by acknowledging the most significant threats and putting plans in place to manage them.

6. Finance and Other Resources Implications

- 6.1 There are no financial implications arising from this report. The internal audit service is commissioned under a Service Level Agreement between the North East Combined Authority and Sunderland City Council. The services include strategic risk management. The Internal Audit Service from Sunderland City Council will make available the relevant professionally qualified and experienced auditors to fulfil the requirements of the Audit Plan 2019/20 and strategic risk management.

7. Legal Implications

- 7.1 There are no legal implications arising specifically from this report.

8. Key Risks

- 8.1 The report identifies what are considered to be the key strategic risks to the achievement of the JTC's overall objectives.

9. Equalities and Diversity

- 9.1 There are no equalities and diversity implications arising from this report.

10. Crime and Disorder

- 10.1 There are no crime and disorder implications arising from this report.

11. Consultation /Engagement

- 11.1 The Head of Paid Service, Monitoring Officer, Chief Finance Officer and the JTC's Proper Officer for Transport have been consulted on the Strategic Risk Register.

12. Other Impact of the Proposals

- 12.1 The proposals comply with the principles of decision making. Relevant consultation processes have been held where applicable.

13. Appendices

Appendix A – 'Risks Summary' shows the JTC's strategic risks and the level of risk associated with each.

Appendix B – 'Strategic Risks – Details' provides a detailed assessment of the JTC's and actions identified to reduce the overall risk exposure.

Appendix C – Risk Analysis Toolkit determines the level of risk attached to each Risk.

14. Background Documents

- 14.1 The latest [Nexus risks](#) can be found on the NECA website as part of the North East Joint Transport Committee, Tyne and Wear Sub-Committee, which focuses on transport issues for both NECA and the North of Tyne Combined Authority within the Tyne and Wear Area.

15. Contact Officers

Tracy Davis – Senior Manager – Assurance, Sunderland City Council.
Tracy.Davis@sunderland.gov.uk
Telephone - 0191 5612861

16. Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓
- Proper Officer for Transport ✓

| Strategic Risks - Summary | | |
|---|-------------------------|----------------------|
| Risk Title & Description | Risk Level (RAG Rating) | Direction of Travel* |
| JTC Strategic Risks | | |
| <u>1 Future Availability of Funding</u> | | |
| Sources and levels of funding available to the JTC to develop the North East regions transport infrastructure within the region may reduce. | Amber 8 | N/a |
| <u>2 Funding Opportunities</u> | | |
| Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region. | Amber 8 | N/a |
| <u>3 Use of Funding and Resources</u> | | |
| Funding secured for transport initiatives within the North East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects. | Amber 8 | N/a |
| <u>4 Governance Arrangements</u> | | |
| The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives | Amber 8 | N/a |
| <u>5 Operational Capacity and Resourcing</u> | | |
| The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans. | Amber 8 | N/a |
| <u>6 Delivery of Transport Improvement Projects/Programmes</u> | | |
| Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need. | Amber 8 | N/a |
| <u>7 Transport Infrastructure Assets</u> | | |
| Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained. | Green 6 | N/a |
| <u>8 Service Delivery</u> | | |
| Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners. | Green 6 | N/a |

* As this is the first assessment of the strategic risks of the JTC it is not possible to assess the direction of travel in comparison to earlier assessments. The direction of travel will be made in subsequent assessments

Strategic Risks - Details

| | |
|---|---|
| <p>1 <u>Future Availability of Funding</u></p> <p>Sources and levels of funding available to the JTC to develop the North East regions transport infrastructure within the region may reduce.</p> | <p><u>Risk Owner</u> Head of Paid Service</p> <p><u>Risk Score</u></p> <p>Amber 8</p> <p>Likelihood – Low 2 Impact – Critical 4</p> |
| <p>Possible Cause(s):</p> <ol style="list-style-type: none"> 1 A downturn in the UK economy may cause the UK government to reduce funds available for the development of transport infrastructure as part of expenditure cutting exercises nationally. 2 A No Deal EU Exit may have a negative impact on the UK economy particularly in the short term. This may influence the availability of transport funding. In this scenario new funding from the EU would be lost. 3 A change in UK government transport policy may mean Government policy may not be aligned to support the transport developments and needs of the North East region. This may have an adverse effect on the achievement of transport goals in the North East e.g. transport funding to be concentrated in only certain geographic areas excluding the North East or certain types of transport scheme e.g. rail not road which may not be in line with JTC plans. | |
| <p>Potential Impact/Consequence:</p> <p>The JTC would not able to deliver projects to either maintain infrastructure to ensure adequate public transport services are maintained or to improve infrastructure to enhance transport services. This would hinder future economic growth within the region.</p> | |
| <p><u>Controls (already in place)</u></p> <ul style="list-style-type: none"> • JTC members, NECA officers supporting the JTC and partners of the JTC e.g. local Councils continue to lobby and engage with the UK government at national and subnational level i.e. Transport for the North (TfN) to: <ol style="list-style-type: none"> a) ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known and b) persuade government to make transport funding a priority. • JTC work with other potential partners to identify new non-government funding sources which may help to progress the delivery of the JTC transport plans. | |
| <p>Further Mitigating Actions</p> <p>A review is to be carried out to produce and publish an updated transport vision and transport plan which is evidence based and sets out how transport needs will be addressed taking into account relevant government policies.</p> | <p>Lead Officer(s)</p> <p>Tobyn Hughes Managing Director, North East</p> |

| | |
|--|--|
| <p>2 Funding Opportunities</p> <p>Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region.</p> | <p><u>Risk Owner</u> Head of Paid Service</p> <p><u>Risk Score</u></p> <p>Amber 8</p> <p>Likelihood – Low 2 Impact – Critical 4</p> |
| <p>Possible Cause(s):</p> <ol style="list-style-type: none"> 1. Funding opportunities are missed due to lack of awareness or missing relevant deadlines. 2. Poor quality of funding applications made by JTC 3. Funding may be made available through a competitive process. Strong applications from funding competitors may result in any funding application not being successful at all or only a proportion of the funds applied for being awarded. | |
| <p>Potential Impact/Consequence:</p> <p>If opportunities are missed or not maximised by the JTC then progression of plans to deliver the transport improvements required by the region will be significantly delayed. Consequently, the benefits associated with the transport will not be fully realised or delayed e.g. supporting economic growth.</p> | |
| <p><u>Controls (already in place)</u></p> <ul style="list-style-type: none"> • JTC officers' horizon scan to identify upcoming funding opportunities. • JTC are in regular contact with the UK government and other funding bodies to identify funding opportunities early. • JTC has established relationships with other bodies at a sub national (e.g. TfN) and local level e.g. councils, universities etc to allow the JTC to work in partnership, where applicable, to exploit funding opportunities by submitting bids for transport funding to benefit the region. • JTC and its partners lobby relevant government bodies to persuade transport infrastructure schemes required for the North East to be included in key government schemes. • The Managing Director, Transport North East and officers of the Regional Transport Team (RTT) have experience, skills and knowledge to submit strong bids for funding. They are familiar with the requirements needed for submitting bids and the process to go through. • All projects included in a bid are subject to scrutiny using the RTT's 'Transport Assurance Framework' to ensure the proposed projects are in line with the JTC objectives and plans and meets the bid criteria. • During any application process the RTT liaises with the provider to understand clearly what it is looking for. | |
| <p>Further Mitigating Actions</p> <p>A review is to be carried out to produce and publish an updated transport vision and transport plan which is evidence based and sets out how projects will be delivered to meet transport needs with a strong business case.</p> | <p>Lead Officer(s)</p> <p>Tobyn Hughes Managing Director, North East</p> |

| | |
|---|--|
| <p>3 <u>Use of Funding and Resources</u></p> <p>Funding secured for transport initiatives within the North East region by the JTC and its partners may not be able to be used on a timely basis, not be sufficient to complete intended projects.</p> | <p><u>Risk Owner</u> Head of Paid Service</p> <p><u>Risk Score</u></p> <p>Amber 8</p> <p>Likelihood – Low 2 Impact – Critical 4</p> |
| <p>Possible Cause(s):</p> <ol style="list-style-type: none"> 1 Poor project management. 2 Inaccurate assessment of projects costs when submitting funding bids. 3 Uncertainties created by the prospect of a UK exit from the EU may make suppliers reticent to bid for contracts let to deliver projects or may cause prices to be inflated to account for extra risks e.g. exchange rates. 4 Uncertainties of a 'No Deal' Brexit may cause delays due to difficulties in obtaining relevant goods and services at the appropriate time. 5 Delays and costs for a project due to unforeseen events. 6 Lack of understanding of funding conditions including timescales. 7 Insufficient capacity and skills to manage projects. 8 Fraud and corruption. | |
| <p>Potential Impact/Consequence:</p> <ol style="list-style-type: none"> 1 Transport projects may not be completed or have to be delayed or the size of project reduced e.g. quality, quantity which may result in intended benefits not being realised and damage to the reputation of the JTC. 2 If the funding is not used by a deadline then funding may be lost. 3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans. | |
| <p><u>Controls (already in place)</u></p> <ul style="list-style-type: none"> • The Managing Director, Transport North East and officers of the Regional Transport Team (RTT) have experience, skills and knowledge to submit strong bids for funding. They are familiar with the requirements needed for submitting bids and the process to go through. • All projects included in a bid are subject to scrutiny using the RTT's 'Transport Assurance Framework' to ensure the proposed projects is in line with the JTC objectives and plans and meets the bid criteria. • Projects delivered by the JTC directly are managed using recognised project management principles. The RTT has the experience and skills to manage projects. • Where projects are delivered by the JTC's partners e.g. Nexus, the JTC has arrangements in place to gain assurance that the projects are progressing as expected and where not, corrective actions are being taken to effectively manage the key issues e.g. regular reporting by partners. • Where transport projects are to be delivered by an external supplier then any work let is subject to a competitive procurement process. • Where funding is provided through the JTC to third parties to deliver a transport project all third parties have a funding agreement in place which includes the need for the third party to provide details as to progress regarding costs and progress of the project. JTC officers monitor progress on an ongoing basis. • Funding providers provide clear conditions as to the use of funds which is published to all relevant stakeholders. • JTC officer are subject to relevant codes of conduct | |

| Further Mitigating Actions | Lead Officer(s) |
|---|--|
| <p>Delivery plans and programmes are to be kept under review in light of any issues which may affect funding secured to be used on a timely basis or may mean secured funding may not be sufficient to deliver the intended programmes. Appropriate prompt action is taken to address issues which may arise.</p> | <p>Tobyn Hughes (Managing Director, North East) John Hewitt (NECA Finance Officer)</p> |

| | |
|---|---|
| 4 Governance Arrangements The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives | Risk Owner Head of Paid Service |
| | Risk Score |
| | Amber 8 |
| | Likelihood – Low 2 Impact – Critical 4 |
| Possible Cause(s): New organisational arrangements have been put in place as a result of the creation of a Mayoral Combined Authority for North of Tyne. Two new Combined Authorities have been established together with the North East Transport Committee being responsible for regional transport which is accountable to the new Combined Authorities. As a result, there is a risk that new governance arrangements may not be effective due to: <ul style="list-style-type: none"> • Lack of capacity to support the governance arrangements • Lack of clarity of roles and responsibilities • Lack of development of new working arrangements or delays in implementing proposed changes • Priorities not aligned to new arrangements. | |
| Potential Impact/Consequence: Poor decisions may be made which are not in the interest of the North East region. Decisions may be delayed, not taken at the appropriate level or not based on the correct information. Lack of clarity of roles and responsibilities may lead to the JTC not adequately fulfilling its statutory functions adequately, not monitoring its finances, having a lack of clarity over its objectives, not ensuring adequate transport services delivered to the public and improvements in transport infrastructure not being delivered. This may lead to having a poor reputation, losing out on funds, poor value for money being achieved and poor transport service provision. | |
| Controls (already in place) <ul style="list-style-type: none"> • The seven Local Authorities have approved a Deed of Cooperation which sets out operational working between the 7 Local Authorities and the two Combined Authorities. • The Combined Authorities Reconfiguration Programme (CARP) is overseeing the transformation including data/asset transfers, service and employee changes, updating legal documentation and financial transfers affecting each body including those affecting the JTC. • The Statutory Order provides for the existence of the JTC and specifies its current membership and functions. • Formal decision-making committees including Joint Transport Committee and sub-committees are operational. • The 7 LAs continue to work together using agreed joint working arrangements i.e. regular officer meetings of Chief Executives, Finance Directors, Monitoring Officers and Heads of Transport, plus formal Transport and Governance Committees. • All 7 LAs continue to support the JTC and its activities. • The JTC has its own Standing Orders outlining its functions and that of its sub committees, its rules of procedure and the roles of statutory officers. Decisions at committee meetings are based on a majority vote basis although the aim is to have a consensual approach whereby all committee members agree on any decision. • The statutory role of 'Proper Officer for Transport' was established by the Statutory Order. A job description has been developed which clarifies the role including leading the Regional Transport Team. The post incorporates not only the role of Proper Officer for Transport accountable to the JTC but also the Director General of Nexus, a key deliverer of transport policy and services in the region. | |
| Further Mitigating Actions | Lead Officer(s) |
| The Combined Authorities Reconfiguration Programme (CARP) will continue to oversee the development of the arrangements within the combined | Martin Swales (NECA, Head of Paid |

| | |
|--|---|
| authorities. The two combined authorities and the JTC are working together to implement the changes. This work will continue throughout 2019. | Service) |
| Review of the powers delegated by the JTC to officers supporting its work e.g. statutory officers including Proper Officer for Transport; NECA, Regional Transport Team officers. | Tobyn Hughes (Managing Director Transport North East) Mike Harding (NECA Monitoring Officer) |
| Review of roles, responsibilities, and arrangements regarding the activities of the Regional Transport Team including business planning, performance management, project assurance, overseeing of delivery programmes etc. and implementation of revised arrangements. | Tobyn Hughes (Managing Director Transport North East) Mike Harding (NECA Monitoring Officer) |

| | |
|--|--|
| <p>5. Operational Capacity and Resourcing</p> <p>The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the Committee's objectives and plans.</p> | <p><u>Risk Owner</u> Head of Paid Service</p> <p><u>Risk Score</u></p> <p>Amber 8</p> <p>Likelihood – Low 2 Impact – Critical 4</p> |
| <p>Possible Cause(s):</p> <p>Due to two Combined Authorities operating within the North East region rather than one, by statutory order the JTC was formed to carry out the transport function responsibilities of the two Combined Authorities. NECA is the accountable body for the new JTC and has extra responsibility for implementing the decisions of the JTC, providing support to the JTC committees and managing the JTC's finances. It is uncertain how much resource will be needed by NECA officers and committee members moving forward therefore the current budget may be insufficient.</p> <p>Statutory officers to NECA, the accountable body for the JTC, need to carry out duties for their main employer in addition to their roles in NECA which may result in capacity issues. Likewise, the Managing Director, Transport North East fulfil two roles, one for the JTC and one for Nexus. Support services provided to NECA and the JTC are provided from Council's which are part of NECA</p> | |
| <p>Potential Impact/Consequence:</p> <p>Decisions may be delayed, or incomplete information provided as part of the decision-making process. Functions may not be carried out as quickly or as fully as they should be leading to loss of money, incorrect decisions, and loss of credibility of JTC.</p> | |
| <p><u>Controls (already in place)</u></p> <ul style="list-style-type: none"> • All statutory officers in NECA, accountable body for the JTC are in place. Deputy statutory officers are also in place for NECA. • The 'Proper Office for Transport' to the JTC is in place. • Representatives from the 7 councils in the North East area have been appointed to the JTC and the Tyne Wear Sub Committee. Deputies have also been appointed. • The JTC have adopted a budget for 2019/20 to deliver JTC activities. • The Regional Transport Team, made of seconded officers from Councils and Nexus, is in place to support the delivery of the JTC objectives. • Partners continue to provide input to the work of the JTC via, for example, Council transport leads. • Where appropriate, external consultants, are employed to provide specialist expertise to support the work of the JTC and to protect its interests e.g. advice in respect of possible changes to the contract to manage and operate the Tyne Tunnel services. • A further finance officer has been employed by NECA to help meet the extra demands of NECA as the Accountable Body for the JTC. | |
| <p>Further Mitigating Actions</p> | <p>Lead Officer(s)</p> |
| <p>As part of a current review of roles, responsibilities, and arrangements regarding the activities of the Regional Transport Team an assessment is being made of its role and the capacity and skills required to meet the role.</p> | <p>Tobyn Hughes (Managing Director Transport North East)</p> |
| <p>As the new JTC arrangements are embedded a review is to be made of the effectiveness of the support provided to the JTC to ensure they are adequate.</p> | <p>John Hewitt (NECA Finance Officer) Tobyn Hughes (Managing Director Transport North East)</p> |

| | |
|--|--|
| <p>6 <u>Delivery of Transport Improvement Projects/Programmes</u></p> <p>Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.</p> | <p><u>Risk Owner</u> Head of Paid Service</p> <p><u>Risk Score</u></p> <p>Amber 8</p> <p>Likelihood – Low 2 Impact – Critical 4</p> |
| <p>Possible Cause(s):</p> <ol style="list-style-type: none"> 1 Poor project management. 2 Inaccurate assessment of projects costs when submitting funding bids. 3 Uncertainties created by the prospect of a UK exit from the EU may make suppliers reticent to bid for contracts let to deliver projects or may cause prices to be inflated to account for extra risks e.g. exchange rates. 4 Uncertainties of a ‘No Deal’ Brexit may cause delays due to difficulties in obtaining relevant goods and services at the appropriate time. 5 Delays and costs for a project due to unforeseen events. 6 Insufficient capacity and skills to manage projects. 7 Fraud and corruption. | |
| <p>Potential Impact/Consequence:</p> <ol style="list-style-type: none"> 1 Transport projects may not be completed or have to be delayed or the size of project reduced e.g. quality, quantity which may results intended benefits not being realised and damage to the reputation of the JTC. 2 If the funding is not used by a deadline then funding may be lost. 3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans. | |
| <p><u>Controls (already in place)</u></p> <ul style="list-style-type: none"> • The Managing Director, Transport North East and officers of the Regional Transport Team (RTT) have experience, skills and knowledge to submit strong bids for funding. They are familiar with the requirements needed for submitting bid and the process to go through. • All projects included in a bid are subject to scrutiny using the RTT’s ‘Transport Assurance Framework’ to ensure the proposed projects is in line with the JTC objectives and plans and meets the bid criteria. • Projects delivered by the JTC directly are managed using recognised project management principles. The RTT has the experience and skills to manage projects. • Where projects are delivered by the JTC’s partners e.g. Nexus, the JTC has arrangements in place to gain assurance that the projects are progressing as expected and where not, corrective actions are being taken to effectively manage the key issues e.g. regular reporting by partners. • Where transport projects are to be delivered by an external supplier then any work let is subject to a competitive procurement process. • Where funding is provided through the JTC to third parties to deliver a transport project all third parties have a funding agreement in place which includes the need for the third party to provide details as to progress regarding costs and progress of the project. JTC officers monitor progress on an ongoing basis. • Funding providers provide clear conditions as to the use of funds which is published to all relevant stakeholders. • JTC officer are subject to relevant codes of conduct | |
| <p>Further Mitigating Actions</p> | <p>Lead Officer(s)</p> |
| <p>Monitoring of the delivery of the overall JTC programme of projects</p> | <p>Tobyn Hughes</p> |

should be carried out on a regular basis.

(Managing Director Transport
North East)

| | |
|--|--|
| 7 <u>Transport Infrastructure Assets</u> Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained | <u>Risk Owner</u> Head of Paid Service |
| | <u>Risk Score</u> |
| | Green 6 |
| | Likelihood – Low 2 Impact – Significant 3 |
| Possible Cause(s): 1 Lack of awareness of the existence of the asset. 2 Lack of clarity as to who has responsibility for the management and maintenance of the assets. 3 Lack of clarity as to standards required. 4 Lack of resources to maintain the assets. | |
| Potential Impact/Consequence: 1 Greater financial resources may be needed to rectify faults arising from poor maintenance. 2 Failures in transport infrastructure assets may affect services delivered to transport users leading to disruption and complaints and a drop in usage. If the funding is not used by a deadline then funding may be lost. 3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans. | |
| <u>Controls (already in place)</u> 1 JTC's constitution makes it clear it has overall responsibility and oversight for transport infrastructure assets owned by NECA and North of Tyne Combined Authority. 2 The JTC holds a record of assets it is responsible for. 3 Responsibility for the maintenance of assets and the standards required are included in the relevant agreements with third party providers e.g. TT2 Ltd. As part of the agreements reports need to be submitted to JTC to gain assurance the relevant maintenance is being carried out. | |
| Further Mitigating Actions | Lead Officer(s) |
| As part of a current review of roles, responsibilities, and arrangements regarding the activities of the JTC and the Regional Transport Team an assessment is being made of the capacity and skills within the JTC to carry out its contract management responsibilities. | Tobyn Hughes (Managing Director Transport North East) |

| | |
|--|--|
| 8 <u>Service Delivery</u> Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners. | <u>Risk Owner</u> Head of Paid Service |
| | <u>Risk Score</u> |
| | Green 6 |
| | Likelihood – Low 2 Impact – Significant 3 |
| Possible Cause(s): <ol style="list-style-type: none"> 1 Lack of clarity as to the responsibilities and duties regarding the oversight of public transport services within the region. 2 Failure to appreciate the impact of maintaining adequate levels of transport services on the economic well-being and reputation of the region. 3 Lack of resources and/or expertise to put in place effective arrangements to ensure adequate levels of transport services are provided. | |
| Potential Impact/Consequence: <ol style="list-style-type: none"> 1 Loss of confidence by stakeholders, e.g. government in the JTC's ability to meet its responsibilities. 2 Loss of confidence by users of services. 3 Without oversight by the JTC, public transport providers e.g. Nexus, may not provide the required services resulting in less use of public transport and greater congestion on the roads, which is contrary to the aims and objectives of the JTC. | |
| <u>Controls (already in place)</u> <ol style="list-style-type: none"> 1 JTC's constitution makes it clear it has overall responsibility and oversight for certain statutory public transport services. 2 JTC committees i.e. Leadership Board and Tyne Wear Sub Committee receive regular reports as to the level of public transport services provided by the JTC's partners e.g. Nexus, Durham County Council, Northumberland County Council. | |
| Further Mitigating Actions | Lead Officer(s) |
| An assessment needs to be made by the JTC of its arrangements to gain assurance that issues with transport service delivery causing poor service to the public faced by transport providers eg Nexus, are being addressed effectively. | Tobyn Hughes (Managing Director Transport North East) |

North East Joint Transport Committee Audit Committee

Appendix 3

Risk Analysis Toolkit

| Determine the risk priority | | | | | |
|-----------------------------|------------|---------------|-------|-------------|----------|
| Likelihood | Impact | | | | |
| | | Insignificant | Minor | Significant | Critical |
| | High | 4 | 8 | 12 | 16 |
| | Medium | 3 | 6 | 9 | 12 |
| | Low | 2 | 4 | 6 | 8 |
| | Negligible | 1 | 2 | 3 | 4 |

| Assess the likelihood of the risk event occurring | |
|---|---|
| High | Risk will almost certainly occur |
| Medium | Risk is likely to occur in most circumstances |
| Low | Risk may occur |
| Negligible | Risk is unlikely to occur |

Assess the impact should the risk occur

| | Objective | Service Delivery | Financial | Reputational |
|----------------------|--|---|--|--|
| Critical/Showstopper | <ul style="list-style-type: none"> Over half the objectives/programmes affected More than one critical objective affected Partners do not commit to the Shared vision | <ul style="list-style-type: none"> Significant change in partner services Relationship breakdown between major partners and stakeholders Serious impact on delivery of key transport related investment plans Unplanned major re-prioritisation of resources and/or services in partner organisations Failure of a delivery programme/major project Serious impact on public transport services provided to users | <ul style="list-style-type: none"> Inability to secure or loss of significant transport funding opportunity (£5m) Significant financial loss in one or more partners (£2m) Significant adverse impact on transport budgets (£3m)) | <ul style="list-style-type: none"> Adverse national media attention External criticism (press) Significant change in confidence or satisfaction of stakeholders Significant loss of community confidence |
| Significant | <ul style="list-style-type: none"> One or more objectives/programmes affected One or more partners do not commit to shared vision Significant environmental impact | <ul style="list-style-type: none"> Partner unable to commit to joint arrangements Recoverable impact on delivery of key transport related investment plans Major project failure Impact on public transport services provided to users | <ul style="list-style-type: none"> Prosecution Change in notable funding or loss of major transport funding opportunity (£2m) Notable change in a Partners contribution Notable adverse impact on transport budget (£0.5m-£1.5m) | <ul style="list-style-type: none"> Notable external criticism Notable change in confidence or satisfaction Internal dispute between partners Adverse national/regional media attention Lack of partner consultation Significant change in community confidence |
| Minor | <ul style="list-style-type: none"> Less than 2 priority outcomes adversely affected Isolated serious injury/ill health Minor environmental impact | <ul style="list-style-type: none"> Threatened loss of partner's commitment Minor impact on public transport services provided to users | <ul style="list-style-type: none"> Minor financial loss in more than one partner Some/loss of transport funding or funding opportunity threatened | <ul style="list-style-type: none"> Failure to reach agreement with individual partner Change in confidence or satisfaction Minor change in community confidence |
| Insignif. | <ul style="list-style-type: none"> Minor effect on priorities/service objectives Isolated minor injury/ill health No environmental impact | | <ul style="list-style-type: none"> Isolated/minor financial impact in a partner organisation | |

North East Joint Transport Committee

Audit Committee

Glossary of Terms

RAG – Red/Amber/Green (denoting an assigned performance status)

Strategic Risk - relates to those factors that might have a significant effect on the successful delivery of the JTC's objectives, plans, policies and priorities.

Risk - A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities.

Risk Appetite - The level of risk that an organisation is prepared to accept in pursuit of its objectives, and before action is deemed necessary to reduce the risk.

Risk Controls or Control Processes - are those actions and arrangements which are specifically identified to be taken to lower the impact of the risk or reduce the likelihood of the risk materialising, or both of these.

Risk Matrix - a graphical representation of the Risk Severity and the extent to which the Controls mitigate it.

Risk Owner - has overall responsibility for the management and reporting of the risk.

Lead Officer(s) – given delegated responsibility from the Risk Owner to take action and manage the risk through application of the appropriate risk controls and processes.

Risk Impact - indicates the potential seriousness should the risk materialise.

Risk Likelihood - indicates the chance of a risk materialising in the time period under consideration.

Risk Score - the product of the Impact score multiplied by the Likelihood score.

Joint Transport Committee – Audit Committee

Date: 12 September 2019

Subject: Review of Joint Transport Audit Committee Terms of Reference

Report Of: Senior Manager – Assurance (Sunderland City Council)

Executive Summary

This report outlines the outcomes of a review for the Joint Transport Committee Audit Committee Terms of Reference against the CIPFA Guidance for audit Committees 2018.

The report identifies that the 2018 CIPFA Guidance provides for some clarifications in relation to the functions of audit committees and how these should be delivered in practice.

From a review of the current Terms of Reference it is considered that the provisions of the Guidance are generally covered. Some minor wording changes are proposed to provide additional clarity, which are highlighted in the proposed Terms of Reference at Appendix 2. These do not change the substance of the role and remit of the Committee. All proposed amendments are highlighted in Appendix 2.

Recommendations

The Committee is asked to consider the Terms of Reference and agree the proposed changes to the Terms of Reference of the Committee..

1 Background Information

- 1.1 In 2018 CIPFA updated its guidance on the function and operation of audit committees in local authorities and police bodies, and represents best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. As the Joint Transport Audit Committee was established in November 2018 it is proposed that the Committee's Terms of Reference be reviewed to ensure it is in line with best practice.

2. Proposals

- 2.1 The current Terms of Reference is attached at Appendix 1 and has been reviewed against the 2018 CIPFA Guidance. The Guidance provides for some clarifications in relation to the functions of audit committees and how these should be delivered in practice.
- 2.2 From a review of the current Terms of Reference it is considered that the provisions of the Guidance are generally covered. Some minor wording changes are proposed to provide additional clarity, which are highlighted in the proposed Terms of Reference at Appendix 2. These do not change the substance of the role and remit of the Committee.

3. Reason for the Proposals

- 3.1 The proposals are made so that there is appropriate clarity regarding the functions of the Audit Committee in line with best practice.

4. Next Steps and Timetable for Implementation

- 4.1 The results of this report will remain relevant until the next review which will be undertaken within five years.

5. Potential Impact on Objectives

- 5.1 This report has no direct impact on the objectives of the Joint Transport Committee's policies and priorities. The review against the 2018 CIPFA updated guidance on the function and operation of audit committees in local authorities and police bodies has been undertaken as this represents best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. The proposed amendments to the Terms of Reference ensures that the Committee fully complies with CIPFA recommended best practice.

6. Finance and Other Resources Implications

- 6.1 There are no financial implications arising from this report.

7. Legal Implications

- 7.1 There are no legal implications arising specifically from this report. Amendments to the Terms of Reference of the Joint Transport Committee

Audit Committee Terms of Reference will be factored into the annual review of the constitution.

8. Key Risks

8.1 There are no direct risk management implications from this report.

9. Equalities and Diversity

9.1 There are no equalities and diversity implications arising from this report.

10. Crime and Disorder

10.1 There are no crime and disorder implications arising from this report.

11. Consultation /Engagement

11.1 Consultation has taken place with the Statutory Officers of the Joint Transport Committee.

12. Other Impact of the Proposals

12.1 There are no other impacts of the proposals.

13. Appendices

13.1 Appendix 1 – Current Terms of Reference
Appendix 2 – Proposed Terms of Reference

14. Background Documents

14.1 None

15. Contact Officers

Tracy Davis – Senior Manager – Assurance, Sunderland City Council.
tracy.davis@sunderland.gov.uk
Telephone - 0191 5612861

16. Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓
- Proper Officer for Transport

Part 4.2 Audit Committee – Current Terms of Reference

An Audit Committee is formed in accordance with the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 as amended by the Second Order and constituted as follows:

Membership 9 (four Members nominated by NECA and three Members nominated by NTCA and two non-voting Independent Members who will act as Chair and Vice Chair).

Quorum 5 (not including the co-opted Independent Members or the Independent Person)

The Audit Committee is a key component of the corporate governance arrangements and is an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment; and reporting on financial and other performance.

Terms of reference

The following functions are the responsibility of the Audit Committee:

1. To consider the effectiveness of the Joint Transport Committee's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements, and seek assurance from the Head of Paid Service, Internal Audit and External Audit that action is being taken on risk related issues within the organisation.
2. To consider internal audit annual report and opinion; and consider a review of the effectiveness of the Joint Transport Committee's system of internal audit.
3. To consider a review of the effectiveness of the Joint Transport Committee's system of internal control on an annual basis. This will include consideration of the Annual Governance Statement, and whether this has been prepared in accordance with proper practices in relation to internal control, whether this properly reflects the risk environment, and whether this includes actions required for improvement. Following that consideration, the Audit Committee will approve the JTC Annual Governance Statement.
4. To receive the following plans on an annual basis:
 - a) Internal Audit's Strategic Audit Plan, including Internal Audit's terms of reference, strategy and resources. The JTC Audit Committee will approve, but not direct, the JTC Strategic Audit Plan.
 - b) The JTC External Auditor's Audit Service Plan, including details of any non-audit services provided.

5. To receive an interim and end of year report on the progress made by Internal Audit and External Audit in achieving their respective plans of work, so that the Committee may monitor performance in this regard.
6. The Audit Committee may suggest that Internal Audit undertakes reviews into specific areas of concern. Internal Audit will then determine whether such work should be undertaken, having regard to the nature, materiality and gravity of the matter referred, and the corresponding importance of planned work which would be delayed by attending to the matter referred.
7. The Audit Committee will receive external audit reports, including Annual Audit Letter, Fee Letter, Annual Governance Report, and other external audit reports as appropriate; and the reports of other regulatory and inspection agencies where these highlight internal control and risk issues.
8. The Audit Committee will consider the scope and depth of external audit work to ensure it gives value for money.
9. The Audit Committee will promote effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and champion the audit process.
10. The Audit Committee will receive follow-up reports on the progress made in implementing agreed internal and external audit recommendations, in order that it may review this progress.
11. The Audit Committee will review the accounting policies used to compile the JTC's Statement of Accounts.
12. The Audit Committee will review key information relating to the JTC's Statement of Accounts.
13. The Audit Committee will review the external auditor's opinion and reports on the statement of accounts, and monitor management action in response to any issues raised in relation to the accounts by external audit.
14. The Audit Committee will ensure it is aware of the work undertaken by other committees, so it can take account of any significant internal control issues arising from this work.

Proceedings

The Audit Committee will conduct its proceedings in accordance with the Audit Committee Rules of Procedure in Part 4.2 of these Standing Orders.

Note:

1. This Committee discharges the functions set out in the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 as amended by paragraph 5 of Schedule 2 to the Second Order.

2. In appointments to this Committee, the JTC must ensure that the Members of the Committee, taken as a whole, reflect as far as reasonably practicable, the balance of political parties prevailing amongst the Constituent Authorities across the LA7 Area (see paragraph 4(13) of Schedule 2 of the Second Order).
3. The requirement for the JTC to appoint at least one independent person to the Audit Committee is also a requirement under Article 14 (Audit Committees) of The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 as modified by the Second Order.

Part 4.2 Audit Committee – Proposed Terms of Reference

An Audit Committee is formed in accordance with the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 as amended by the Second Order and constituted as follows:

Membership 9 (four Members nominated by NECA and three Members nominated by NTCA and two non-voting Independent Members who will act as Chair and Vice Chair).

Quorum5 (not including the co-opted Independent Members or the Independent Person)

In the absence of both Co-opted members the attending members may agree a Chair for the specific meeting from those attending

The Audit Committee is a key component of the corporate governance arrangements and is an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and annual financial and governance processes.

Terms of reference

The following functions are the responsibility of the Audit Committee:

1. To consider the effectiveness of the Joint Transport Committee's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements, and seek assurance from the Head of Paid Service, Internal Audit and External Audit that action is being taken on risk related issues within the organisation.
2. To consider internal audit annual report and opinion and consider an external quality assessment review of the effectiveness of internal audit.
3. To consider a review of the effectiveness of the Joint Transport Committee's system of internal control on an annual basis. This will include consideration of the Annual Governance Statement, and whether this has been prepared in accordance with proper practices in relation to internal control, whether this properly reflects the risk environment, and whether this includes actions required for improvement. Following that consideration, the Audit Committee will approve the JTC Annual Governance Statement.
4. To receive the following plans on an annual basis:
 - a) Internal Audit's Strategic Audit Plan, including Internal Audit's terms of reference, strategy and resources. The JTC Audit Committee will approve, but not direct, the JTC Strategic Audit Plan.
 - b) The JTC External Auditor's Audit Service Plan, including details of any non-audit services provided.

5. To receive an interim and end of year report on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work. This will include the performance of Internal Audit.
6. To receive an interim and end of year report on the progress of External Audit in achieving their respective plans of work, so that the Committee may monitor performance in this regard.
7. The Audit Committee may suggest that Internal Audit undertakes reviews into specific areas of concern. Internal Audit will then determine whether such work should be undertaken, having regard to the nature, materiality and gravity of the matter referred, and the corresponding importance of planned work which would be delayed by attending to the matter referred.
8. The Audit Committee will receive external audit reports, including Annual Audit Letter, Fee Letter, Annual Governance Report, and other external audit reports as appropriate; and the reports of other regulatory and inspection agencies where these highlight internal control and risk issues.
9. The Audit Committee will consider the scope and depth of external audit work to ensure it gives value for money.
10. The Audit Committee will promote effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and champion the audit process.
11. The Audit Committee will receive follow-up reports on the progress made in implementing agreed internal and external audit recommendations, in order that it may review this progress.
12. The Audit Committee will review the accounting policies used to compile the JTC's Statement of Accounts.
13. The Audit Committee will review key information relating to the JTC's Statement of Accounts.
14. The Audit Committee will review the external auditor's opinion and reports on the statement of accounts, and monitor management action in response to any issues raised in relation to the accounts by external audit.
15. The Audit Committee will ensure it is aware of the work undertaken by other committees, so it can take account of any significant internal control issues arising from this work.

Proceedings

The Audit Committee will conduct its proceedings in accordance with the Audit Committee Rules of Procedure in Part 4.2 of the Standing Orders.

Note:

1. This Committee discharges the functions set out in the Combined Authorities (Overview and Scrutiny Committee) Access to Information and Audit

Committees) Order 2017 as amended by paragraph 5 of Schedule 2 to the Second Order.

2. In appointments to this Committee, the JTC must ensure that the Members of the Committee, taken as a whole, reflect as far as reasonably practicable, the balance of political parties prevailing amongst the Constituent Authorities across the LA7 Area (see paragraph 4(13) of Schedule 2 of the Second Order).
3. The requirement for the JTC to appoint at least one independent person to the Audit Committee is also a requirement under Article 14 (Audit Committees) of The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 as modified by the Second Order.

This page is intentionally left blank



Joint Transport Committee – Audit Committee

Date: 12 September 2019

Subject: North East Transforming Cities Fund Bid – Update

Report of: Managing Director, Transport North East

Executive Summary

The purpose of this report is to explain to the Committee the process followed to identify, sift and prioritise sustainable transport schemes included in the North East's Transforming Cities Fund capital investment programme. The report also explains the actions that will be taken to administer and prioritise funding to be received from DfT to deliver the programme.

Transforming Cities Fund (TCF) is a fund for public and sustainable transport capital infrastructure that delivers a step change in the productivity of the region our environmental performance, housing delivery and social benefits. The region was successful in securing £10m from the Tranche 1 of the TCF programme and is currently administering this fund to deliver a series of improvements.

Tranche 2 represents a larger share of the overall fund with regions invited to bid for a share of £1.28bn. The region is currently preparing a bid due for submission on the 28 November 2019 through the preparation of a Strategic Outline Business Case (SOBC) to deliver an ambitious investment programme which will be a strategic driver for economic, social and environmental improvement. This SOBC will be presented to JTC in November.

Recommendations

The JTC Audit Committee is recommended to note the content of the report.

1. Background Information

- 1.1 In March 2018 the Department for Transport (DfT) launched a Call for Proposals for city region authorities wishing to obtain capital funding from its Transforming Cities Fund (TCF). The TCF has been established to fund capital infrastructure works that will deliver transformational benefits to sustainable and public transport users. An Expression of Interest from the North East region was submitted June 2018¹ and the North East (Northumberland, Tyne and Wear and County Durham) is one of twelve city regions shortlisted to submit bids for a share of £1.28bn of capital funding. A draft bid was submitted to DfT in June 2019², in the form of a Strategic Outline Business Case that supports an ambitious investment programme. Approval for submission of this draft bid was given by the Joint Transport Committee on 18 June 2019.

2. Key Issues and challenges

Tranche 1

- 2.1 The region was successful in securing £10m of investment from Tranche 1 for the TCF programme for cycling, walking and bus-based interventions across the region. Schemes are now underway and funding is being allocated through the existing Assurance framework and Grant Funding Agreements with each Local Authority.

Tranche 2, Programme Development and Prioritisation

- 2.2 The focus of the Regional Transport Team (RTT) for Tranche 2 has been to develop a programme of schemes that are eligible for funding, meet our regional priorities for sustainable transport investment and are subject to a rigorous sifting and prioritisation process. The programme was developed in line with bidding requirements and was developed based on collaborative working between the Regional Transport Team, Nexus and the individual local authority Economic Directors and Transport Leads. To achieve this, we undertook the following tasks:
- Compile a long list of schemes;
 - Sift the schemes to ensure they meet the requirements of TCF;
 - Prioritise the schemes based on their fit with our regional objectives and with DFT's objectives for TCF;
 - Identify the strongest transformational schemes (as confirmed by economic appraisal);
 - Fit the schemes into a coherent programme based around four key regional travel corridors and five thematic packages related to Buses, Cycling/Walking, City Centre Environments, Park & Ride and Metro/Local Rail; and
 - Develop high, medium and low-cost scenarios to be compiled on a consistent basis.

¹ <https://northeastca.gov.uk/wp-content/uploads/2018/06/Transforming-Cities-Fund-Free-Format-Version.pdf>

- 2.3 The approach to these tasks is explained at paragraphs 2.3 and 2.4 of the JTC report included at Appendix 1. This report also shows which schemes have been included in the resulting TCF programme. In considering the report at Appendix 1, JTC members made it clear that they endorsed the ambition demonstrated in these cost scenarios, in terms of the scale of investment in both the programme as a whole and in its five thematic packages. The £380m bid in our high cost scenario represents 30% of the overall TCF pot available to the twelve bidding cities, whereas a “fair share” based on population would suggest an allocation of £250m to £300m.
- 2.4 JTC members discussed and endorsed the approach to include both of the large rail schemes in the programme:
- The reopening of the Northumberland Line to regular passenger services between Ashington and Newcastle; and
 - The Metro Flow scheme that will allow Nexus to dual the Metro track between Pelaw and Bede, enabling the operation of more frequent and reliable Metro services across the whole network.
- 2.5 The Committee also endorsed the £83 investment in bus corridor improvement measures across the North East region. The package has been developed in close co-operation with bus operators and represents a significant investment. Furthermore, JTC members instructed officers to work with bus operators to develop a further pipeline of schemes that will tackle bus congestion and improve travelling conditions for bus passengers – this study has now commenced.

Allocation of TCF Funding

- 2.6 The DfT guidance states that funding will be allocated to successful bidders in two ways. Schemes with a capital cost of over £40m will be “retained” by DfT. The funding associated with those schemes will be set aside within DfT and the Department’s officials will use their usual assurance process to sign off the detailed development of each scheme (Outline Business Case) and then release funding for their construction following a procurement phase (Full Business Case).
- 2.7 For all other schemes in the programme, the funding will be devolved to the region and will be distributed using a local assurance framework. We anticipate circa £100m will be devolved for local delivery. This framework will ensure the detailed development of each scheme meets the programme requirements. The framework will also ensure that each scheme can be constructed within the cost and timescale constraints of the programme. This assurance framework must be tailored to ensure that any specific grant funding conditions imposed by the DfT are discharged. We do not yet know what the conditions might be, beyond those already stated in the guidance and set out in Appendix 1, Table 2.
- 2.8 The region already has an adopted transport assurance framework that has been used to distribute devolved funding received from previous funding streams. This assurance framework is in the process of being reviewed to ensure it reflects recent governance changes in the region, and to ensure it meets the specific requirements of the TCF guidance. The review will ensure that the assurance framework strikes

a balance between being rigorous enough to ensure good transport outcomes, whilst being flexible enough to avoid becoming unduly onerous for scheme promoters. Funding for resources to manage this assurance framework over the 3-year deliver period (2020 to 2023) has been included in our TCF bid.

Funding decisions

- 2.9 At this stage we do not know the exact level of devolved funding that will be available to the region. In the event that the funding available is not sufficient to deliver every scheme in our programme, our initial proposal will be to allocate funding to schemes using the method of prioritisation deployed when developing the programme and the three cost scenarios. We will then use the assurance framework to ensure that the programme's objectives are delivered and good value for public money is secured throughout the detailed development and procurement phases.

3. Reasons for the Proposals

- 3.1 The programme of schemes and the draft Strategic Outline Business Case referred to in this report have been the subject of consultation with various officer groups amongst the seven local authorities and Nexus, as well as benefitting from extensive consultation and engagement with external stakeholders, including bus operators, major employment parks and major retail destinations.
- 3.2 The proposals are focussed on attracting and importantly delivering significant additional investment in the North East's public transport network (Metro, bus and rail) and sustainable transport network (cycling and walking). This investment will assist in boosting our economy, expanding opportunities for work and training and contribute to achieving environmental objectives.

4. Potential Impact on Objectives

- 4.1 A successful TCF bid will attract considerable additional funding to the North East's transport network, increasing the use of public transport, increasing the use of sustainable transport and reducing reliance on the private car for more trips. These impacts will have a positive effect on the economic, social and environmental objectives set out in our Strategic Economic Plan, Local Industrial Strategy, local air quality plans and will help inform a future North East Transport Plan. The funding will also assist in delivering the local air quality improvements required in order to meet global and national transport carbon emissions targets.

5. Financial and Other Resources Implications

- 5.1 In line with DfT requirements the SOBC submitted in June 2019 includes a High Cost (total £450.492m with a TCF ask of £379.715m and match funding requirement of £70.777m), Medium Cost (Total £431.092m TCF ask of £362.295m and match funding requirement of £68.797m) and a Low Cost (total £400.808m with a TCF ask of £335.082, and match funding requirement of £65.726m) programme of works.

5.2 The programme was developed in line with bidding requirements and was developed based on collaborative working between the Regional Transport Team, Nexus and the individual local authority Economic Directors and Transport Leads.

5.3 There are no human resource or ICT implications associated with this report

6. Legal Implications

6.1 Should the bid be successful, it is anticipated it will be subject to terms and conditions applied by the Department for Transport in a funding agreement or offer letter which will be the subject of a further report to the Committee.

7. Key Risks

7.1 The key risk associated with this project relate to the production of a strong programme of schemes that meet DfT guidance, and the production of a strong business case to support investment in that programme. Resources have been added to the Regional Transport Team and regular meetings and briefings have been convened in order that these two key risks have been mitigated effectively.

8. Equality and Diversity

8.1 A successful TCF bid will enable a broader range of public transport and sustainable transport options to be available to more people in the North East. The specific needs of people with mobility problems will be considered during the design phase of each scheme within the package to ensure that equality of access is achieved and enhanced. The safety and security requirements of vulnerable people will also be considered during this design phase to ensure that a diverse range of people from across our communities can enjoy the benefits of the resulting investment.

9. Crime and Disorder

9.1 At this stage there are no specific crime and disorder issues identified with this programme.

10. Consultation/Engagement

10.1 The content of this report has been the subject of consultation with various officer groups amongst the seven local authorities and Nexus, as well as benefitting from extensive consultation and engagement with external stakeholders, including bus operators, major employment parks and major retail destinations.

11. Other Impact of the Proposals

11.1 It is likely that a successful TCF bid will have significant beneficial impact on the businesses of transport operators, key employment sites and employers in the North East. In addition it is likely that improved access to educational opportunities will be delivered. Finally, greater use of sustainable and public

transport modes will lead to improved health outcomes for people living and working in the North East.

12. Appendices

- 12.1 Appendix 1: Joint Transport Committee report on Transforming Cities Fund Bid, approved 18 June 2019 with associated appendices.

13. Background Papers

- 13.1 Department for Transport TCF Tranche 2 Guidance – click [here](#)

14. Contact Officers

- 14.1 Mike Scott, TCF Project Lead
Email: mike.scott@northeastca.org.uk
Tel: 0191 433 4424

15. Sign off

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

16. Glossary

DfT – Department for Transport

RTT – Regional Transport Team

SOBC – Strategic Outline Business Case

TCF – Transforming Cities Fund

**APPENDIX 1: Joint Transport Committee report on Transforming Cities
Fund Bid, approved 18 June 2019**

North East Joint Transport Committee

Date: 18 June 2019

Subject: North East Transforming Cities Fund Bid – Update

Report of: Lead Chief Executive for Transport

Executive Summary

The purpose of this report is to provide details of the Strategic Outline Business Case (SOBC) prepared to support a bid from the North East region for funding from the Government's Transforming Cities Fund (TCF). This is our second bid for TCF funding, from the Tranche 2 allocation, following our successful Tranche 1 bid submitted in January 2019. The SOBC demonstrates how an ambitious investment programme will be a strategic driver for economic, social and environmental improvement.

In line with DfT requirements the TCF Bid includes High Cost (total TCF ask of £377.3m), Medium Cost (total TCF ask of £359.9m) and a Low Cost (total TCF ask of £331.1m) programmes of works. The programme has been developed in line with bidding requirements and has been developed based on collaborative working between the Regional Transport Team, Nexus and the individual local authority Economic Directors and Transport Leads.

The programme offers economic, social and environmental benefits that significant outweigh its construction costs, showing that this investment in our region will deliver high value for money.

Recommendations

The Joint Transport Committee is recommended to:

- (i) approve submission of the North East Region's draft Transforming Cities Fund Tranche 2 bid to the Department for Transport, based on the programme of schemes set out in Appendix 2 and described in the draft Strategic Outline Business Case summarised in Appendix 3; and
- (ii) should any final amendments to the draft SOBC be required by this Committee prior to submission to DfT, approval of these amendments will be delegated to the Committee Chair.

1. Background Information

- 1.1 In March 2018 the Department for Transport (DfT) launched a Call for Proposals for city region authorities wishing to obtain capital funding from its Transforming Cities Fund (TCF). The TCF has been established to fund capital infrastructure works that will deliver transformational benefits to sustainable and public transport users. An Expression of Interest from the North East region was submitted June 2018² and the North East (Northumberland, Tyne and Wear and County Durham) is one of twelve city regions shortlisted to submit bids for a share of £1.28bn of capital funding. This report sets out the North East region's ambitious proposal to draw down a share of that funding.

2. Proposals

- 2.1 The TCF process represents a considerable opportunity for the North East to secure major capital investment in our urban transport network. The competitive nature of the process means that complying with the guidance received from DfT is critical to our success. Guidance is clear that TCF funding is only available for investment in public transport and sustainable transport measures - it is not available for road schemes or other car-based schemes. The Government's objectives for TCF are clearly set out in Guidance and shown at Table 1³.

| | | |
|--|---|--|
| Drive up productivity through improved connections between urban centres and suburbs | Improve access to work and deliver growth | Encourage use of Future Mobility Services |
| Tackle air pollution and reduce carbon emissions | Deliver more homes | Deliver apprenticeships and improve skills |

Table 1: Objectives for Transforming Cities Fund Tranche 2

- 2.2 Guidance is clear about the cohesive and transformational nature of the programme that DfT expects to be submitted by bidding city regions, stating that:
- "The Fund is not aimed at packages that simply deliver large numbers of unconnected smaller interventions across the board as these are unlikely to be transformational in their own right; it is seeking coherent programmes of interlinking interventions which will transform connectivity in key commuter routes in city regions."
- 2.3 The Regional Transport Team has worked closely with scheme promoters to develop our programme of schemes to be submitted to Government. A long list of

² <https://northeastca.gov.uk/wp-content/uploads/2018/06/Transforming-Cities-Fund-Free-Format-Version.pdf>

³ Paragraphs 1.8-1.10, "Transforming Cities Fund, Supplementary Guidance for Shortlisted City Regions: Tranche 2", Department for Transport, January 2019

schemes was provided by public sector and private sector stakeholders the region. A process was then followed to:

- sift the long list of schemes based on key attributes that are included in TCF guidance, as set out in Table 2⁴;
- rank the sifted schemes against TCF objectives as set out in Table 1; and
- use that ranking to develop the medium cost scenario programme, plus alternative high cost and low cost scenarios (as required by DfT⁵).

| | | |
|---|--|--|
| Deliverable This programme must be delivered between 2020 and 2023, free of legislative or institutional barriers | Objectives The programme and its components must deliver on the objectives set out for TCF, and our regional equivalents | Value for Money Every component of the programme, and the programme itself, must deliver good value for the investment of public funds |
| Ambition The programme must be ambitious and transformational, driving real change in transport use | Match Funding The programme and its components must be capable of attracting match funding from alternative public sector, and private sector, sources | Regional Support The programme must garner widespread support regionally, and work hand in hand with other regional programmes |

Table 2: Key attributes guiding scheme sifting for Transforming Cities Fund Tranche 2

2.4 The outcome of this ranking exercise for each shortlisted scheme is shown at Appendix 1. The schemes in the medium cost, high cost and low cost scenario programmes are shown at Appendix 2. These ambitious programmes request a funding settlement from DfT between £333m in the low cost scenario and £377m in the high cost scenario. These programmes feature:

- Significant investment in the infrastructure that supports our Bus Corridors, Walking and Cycling Corridors, City Centre Gateways and Park & Ride network.
- Major investment in our local Metro and rail networks, in the form of:
 - the Metro Twin Tracking scheme, which will improve service reliability across the network and enable the daytime Metro frequency to increase on the South Shields to St James (via coast) Line and the South Hylton to Airport Line from five to six trains per hour.
 - The Northumberland Line scheme, which will reintroduce passenger rail services from four stations in South East Northumberland and North Tyneside to central Newcastle.

2.5 DfT requires that our bid for funding is submitted as an analysis of the Tranche 2 programme set out in a Strategic Outline Business Case (SOBC). A summary of

⁴ This exercise identified schemes in the long list that were duplicated, schemes that overlapped and were able to be simplified, schemes that did not comply with the key sifting criteria and schemes that were withdrawn from this particular programme by promoters. Schemes not progressing through this sifting will form a pipeline of regional projects to be bought forward in future funding bids.

⁵ Paragraph 3.6, "Transforming Cities Fund, Supplementary Guidance for Shortlisted City Regions: Tranche 2", Department for Transport, January 2019

this SOBC can be found at Appendix 3. The full draft SOBC to be submitted to DfT in June can be viewed at <https://northeastca.gov.uk/what-we-do/transport/north-east-transforming-cities-fund-bid/> .

- 2.6 Once the draft SOBC is submitted, the Regional Transport Team and DfT will commence ‘co-development’ discussions that will advance the draft SOBC further, prior to the final submission to DfT on 28 November 2019. This co-development process is welcomed as it will ensure the DfT become invested in our programme and support it as its detail develops. It is likely that this process will suggest changes to our Tranche 2 programme of schemes, which will be communicated to members for their approval.

3. Reasons for the Proposals

- 3.1 The proposals set out in Section 2 of this report are focussed on attracting significant additional investment in the North East’s public transport network (Metro, bus and rail) and sustainable transport network (cycling and walking). This investment will assist in boosting our economy, expanding opportunities for work and training and contribute to achieving environmental objectives.

4. Alternative Options Available

- 4.1 Option 1 is to submit a SOBC to Government in support of our bid for Transforming Cities Fund resources, as set out in Section 2 of this report.
- 4.2 Option 2 is to halt work on our Transforming Cities Fund bid and end our involvement in the bidding process set up by DfT. This approach would mean that the potential benefits of significant investment in sustainable transport, public transport and future mobility will be lost.
- 4.3 Option 1 is the recommended option.

5. Next Steps and Timetable for Implementation

- 5.1 Between June 2019 and November 2019 the Tranche 2 programme and its Strategic Outline Business Case will be further developed in discussion with DfT. Government has indicated that all bidding city regions will be advised what is their allocation of the Transforming Cities Fund in early 2020. The schemes that can be funded by that allocation will then be delivered between 2020 and 2023.

6. Potential Impact on Objectives

- 6.1 A successful TCF bid will attract considerable additional funding to the North East’s transport network, increasing the use of public transport, increasing the use of sustainable transport and reducing reliance on the private car for more trips. These impacts will have a positive effect on the economic, social and environmental objectives set out in our Strategic Economic Plan, Local Industrial Strategy, local air quality plans and will help inform a future North East Transport Plan. The funding will also assist in delivering the local air quality improvements required in order to meet global and national transport carbon emissions targets.

7. Financial and Other Resources Implications

- 7.1 In line with DfT requirements the SOBC attached includes a High Cost (total £448.0m with a TCF ask of £377.3m and match funding requirement of £70.7m), Medium Cost (total £428.6m TCF ask of £359.9m and match funding requirement of £68.7m) and a Low Cost (total £398.6m with a TCF ask of £331.1m and match funding requirement of £65.5m) programme of works.
- 7.2 The programme has been developed in line with bidding requirements and has been developed based on collaborative working between the Regional Transport Team, Nexus and the individual local authority Economic Directors and Transport Leads.
- 7.3 There are no human resource or ICT implications associated with this report

8. Legal Implications

- 8.1 Should the bid be successful, it is anticipated it will be subject to terms and conditions applied by the Department for Transport in a funding agreement or offer letter which will be the subject of a further report to the Committee.

9. Key Risks

- 9.1 The key risk associated with this project relate to the production of a strong programme of schemes that meet DfT guidance, and the production of a strong business case to support investment in that programme. Resources have been added to the Regional Transport Team and regular meetings and briefings have been convened in order that these two key risks have been mitigated effectively.

10. Equality and Diversity

- 10.1 A successful TCF bid will enable a broader range of public transport and sustainable transport options to be available to more people in the North East. The specific needs of people with mobility problems will be considered during the design phase of each scheme within the package to ensure that equality of access is achieved and enhanced. The safety and security requirements of vulnerable people will also be considered during this design phase to ensure that a diverse range of people from across our communities can enjoy the benefits of the resulting investment.

11. Crime and Disorder

- 11.1 At this stage there are no specific crime and disorder issues identified with this programme.

12. Consultation/Engagement

- 12.1 The content of this report has been the subject of consultation with various officer groups amongst the seven local authorities and Nexus, as well as benefitting from extensive consultation and engagement with external

stakeholders, including bus operators, major employment parks and major retail destinations.

13. Other Impact of the Proposals

- 13.1 It is likely that a successful TCF bid will have significant beneficial impact on the businesses of transport operators, key employment sites and employers in the North East. In addition it is likely that improved access to educational opportunities will be delivered. Finally, greater use of sustainable and public transport modes will lead to improved health outcomes for people living and working in the North East.

14. Appendices

- 14.1
- Appendix 1 – Ranking of Schemes included in the Medium Cost Programme, High Cost Programme and Low Cost Programme
 - Appendix 2 – Details of Schemes included in the Medium Cost Programme, High Cost Programme and Low Cost Programme
 - Appendix 3 – Schemes in Medium Cost Programme, High Cost Programme and Low Cost Programme, arranged by thematic package and TCF Key Corridor

15. Background Papers

- 15.1 North East TCF Expression of Interest – available at <https://northeastca.gov.uk/what-we-do/transport/north-east-transforming-cities-fund-bid/> .
- 15.2 Department for Transport TCF Tranche 2 Guidance – available at <https://www.gov.uk/government/publications/apply-for-the-transforming-cities-fund> .

16. Contact Officers

- 16.1 Tobyn Hughes, Managing Director Transport North East
tobyn.hughes@nexus.org.uk
0191 2033246

Mike Scott, TCF Project Lead
mike.scott@northeastca.org.uk
Tel: 0191 433 4424

17. Sign off

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

18. Glossary

DfT – Department for Transport

TCF – Transforming Cities Fund

BCR – Benefit:Cost Ratio, a Government value for money measure for public sector investments

APPENDIX 1

Ranking of Schemes included in the Medium Cost Programme, High Cost Programme and Low Cost Programme

| Code | Scheme name | Scheme promoter | Summary | Total cost | TCF ask | Ranking against TCF objectives |
|------|---|-------------------------------|--|--------------|--------------|--------------------------------|
| NX03 | Twin tracking of Metro line between Pelaw and Bede / Metro capacity enhancement | Nexus | The Metro twin tracking scheme entails Nexus taking over the existing single track freight line that runs parallel to the remaining single track sections of Metro between Pelaw and Tyne Dock. This will enable Metro trains to operate on two tracks, as elsewhere across the network, bringing extra capacity and resilience to the entire network. Completing this twin tracking project will enable Nexus to increase the daytime frequency of Metro trains from five per hour to six per hour across the network. The cost of the scheme covers the physical track works required to allow Metro trains to access both lines, the erection of overhead catenary on the current freight line and the provision of five new Metro trains. Freight trains will still be able to run over the tracks taken over by Nexus | £117,300,000 | £108,400,000 | 12 |
| NO01 | Northumberland Line | Northumberland County Council | The Northumberland Line proposals will introduce passenger trains on the existing freight railway between Ashington, Bedlington, Blyth, Northumberland Park and the East Coast Main Line at Benton. Trains will operate hourly between Newcastle and Ashington, more regularly in peak hours. Stations will be constructed at Ashington, Bedlington Station, Newsham (for Blyth) and Northumberland Park (integrating with Metro services). Further stations may be constructed in future, but these require regulatory permissions that cannot be obtained within the funding timeframe of TCF. The principal cost items for this project are the upgrade of several level crossings to accommodate a more frequent train service and the provision of new stations, parking and highway infrastructure | £117,216,520 | £99,400,000 | 12 |
| NT02 | Improvements to North Shields transport hub | North Tyneside Council | Redevelopment of Wellington Street West site and former Co-op site to secure step-free, covered access between Metro and bus, limited new retail and improved public realm, cycle hub, improved cycling and walking links into interchange, bus priority measures on routes into town centre and Shields Ferry landing | £25,000,000 | £22,500,000 | 8 |
| NE02 | Newcastle Central Station – Central Gateway | Newcastle City Council | <ul style="list-style-type: none"> East Concourse - new access ramp to improved car park/public realm; access from Orchard Street, upgrade Orchard Street and Clavering Place tunnels Westmorland Road junction upgrade | £21,700,000 | £18,400,000 | 10 |

| Code | Scheme name | Scheme promoter | Summary | Total cost | TCF ask | Ranking against TCF objectives |
|-------|--|-------------------------|--|-------------|-------------|--------------------------------|
| ST08a | South Shields to Newcastle Bus corridor improvements | South Tyneside Council | South Shields to Newcastle City Centre and to Durham City Centres: <ul style="list-style-type: none"> • Whiteleas Way Bus Lane • Stanhope Road / Boldon Lane Junction • Boldon / Tiledshed Level Crossing Removal - New Bridge • New Road / Boker Lane Junction • Boldon ASDA/ New Road / Junction Improvements | £17,500,000 | £11,000,000 | 10 |
| NE01 | Transforming Newcastle City Centre | Newcastle City Council | Significant upgrades to Newcastle City Centre. This includes: <ul style="list-style-type: none"> • Pedestrian priority on key streets • Public transport improvements and priority • Improvements to junctions such as Gallowgate/Percy Street; Market St/John Dobson St and Market St/Pilgrim St • Provision of cycle infrastructure linking east to west infrastructure • Upgrades to Intelligent Transport Systems to place all junctions within the urban core on UTC • New and enhanced bus stop provision throughout the Bus Loop, including improvements to Market Street • Potential upgrade to New Bridge Street access • Cycling upgrade between St Nicholas St/Bigg Market Junction and Swan House Roundabout to provide continuous segregated cycling between Jesmond and Gateshead • Improvements to Cycling provision on Claremont Road and access from Town Moor | £15,000,000 | £12,250,000 | 11 |
| SU03 | Sunderland Central Station redevelopment | Sunderland City Council | The project comprises the construction of a new railway station building on the footprint of the existing site which incorporates access to the Metro and heavy rail services. TCF bid comprises the southern access element of the scheme. Subsequent phases consist of northern access and reopening of a third platform | £14,000,000 | £12,600,000 | 11 |
| NE04 | Newcastle Outer West | Newcastle City Council | Improvements to junctions (typically the replacement of roundabouts with signalised controls and links to UTM). Particularly around Stamfordham Road and Ponteland Road. These would be able to give increased priority to public transport using the corridor | £12,000,000 | £4,100,000 | 9 |
| DU07 | Durham bus station | Durham County Council | Demolition of existing life-expired bus station and replaced with a new building on the current site. Improved facilities including new toilets, increased floor to ceiling height to provide more light and space, | £8,500,000 | £4,250,000 | 9 |

| Code | Scheme name | Scheme promoter | Summary | Total cost | TCF ask | Ranking against TCF objectives |
|------|--|-------------------------|--|------------|------------|--------------------------------|
| | | | removal of retail units to provide more passenger circulation space, and relocation of DIRO stands away from a retaining wall which currently impacts on bus manoeuvres | | | |
| NX04 | Strategic park and ride sites – Follingsby park and ride and links to IAMP and Callerton Parkway | Nexus | Development of a bus-based park and ride site at Follingsby, linking IAMP and Follingsby business parks with the wider region - 600 space car park with bus waiting facilities and provision for new mobility services. Capacity doubled at existing park and ride site at Callerton, whilst future proofing for further development, increasing provision for disabled parking, electric vehicle charging points, cycle infrastructure, and providing enhanced walking and cycling routes on the site. The scheme will also include enhanced bus facilities to enable local bus services to drop off and pick up from the site. | £7,500,000 | £6,760,000 | 12 |
| SU05 | Inner ring road improvements (bus priority) | Sunderland City Council | Removal of congestion pinch points on St Michaels Way, providing bus priority measures, improved public transport links, journey time saving and congestion relief. Includes Trimdon Street roundabout, High Street West junction, Chester Road junction, Priestman Roundabout and Park Lane Interchange access junction | £7,000,000 | £6,300,000 | 10 |
| NT08 | Bus priority improvements along A188/A189 corridor phase 1 | North Tyneside Council | <ul style="list-style-type: none"> Bus priority improvements along A188/A189 corridor including Four Lane Ends interchange Enhancement of existing park and ride facility at Four Lane Ends interchange. <p>The possible provision of a new bus Park & Ride site in the A189 corridor (between Northumberland and Newcastle) will be considered as part of phase 2 of this project.</p> | £6,219,000 | £4,500,000 | 10 |
| DU01 | Walking and cycling improvements | Durham County Council | <p>Improved walking and cycling links into the city as well as links to Sunderland and Newcastle:</p> <ul style="list-style-type: none"> Pedestrian bridge at Milburngate House Pedestrian improvements along South Road corridor North West residential cycling links and A691 links Sunderland Road cycling links and Belmont Business Park walking and cycling links | £6,142,478 | £3,981,604 | 9 |
| SU10 | A690 route action plan | Sunderland City Council | Aim is to provide bus priority measures, improve journey times and reliability, and reduce junction delays. Provide safety improvements for vulnerable road users. Junctions include, Barnes Gyratory, Grindon Lane, North Moor Road, Board Inn roundabout. Better CCTV and UTMIC connectivity. | £6,000,000 | £5,400,000 | 10 |
| NE03 | Newcastle – North Tyneside strategic cycling infrastructure | Newcastle City Council | New cycling infrastructure providing a link between A1058 Coast Road Cycle Route to Newcastle urban core (Newcastle/North Tyneside Boundary to John Dobson Street) and secondary link between A1058 and Haddricks Mill | £5,600,000 | £5,000,000 | 6 |

| Code | Scheme name | Scheme promoter | Summary | Total cost | TCF ask | Ranking against TCF objectives |
|------|--|-------------------------|---|------------|------------|--------------------------------|
| SU09 | Chester Road bus corridor | Sunderland City Council | To provide bus priority measures resulting in journey saving time (particularly public transport). Includes junctions at the Royalty, Broadway, Grindon Lane and Greenwood Road. To improve pedestrian links. To provide a gateway to the University and the City. Better CCTV and UTMCI connectivity | £5,600,000 | £5,040,000 | 10 |
| GA05 | MetroGreen sustainable access | Gateshead Council | Sustainable transport package to support development around the Metrocentre. A range of new and improved walking and cycling facilities and improved conditions for buses, including specific priority measures | £5,000,000 | £4,500,000 | 10 |
| GA09 | Great North Cycleway – A167 Birtley to Eighton Lodge | Gateshead Council | Upgrading of cycle links on main Great North cycle route corridor from borough boundary with County Durham to Kells Lane. Creation of shared use footway on one or both sides of carriageway. Improvements to junctions, side roads and crossings along the route. Vigo Lane roundabout converted to signalised junction incorporating toucan facilities | £5,000,000 | £4,500,000 | 6 |
| NT10 | Healthy bus and Metro | North Tyneside Council | Infrastructure measures to deliver high quality cycling and walking linkages to Bus and Metro stations (Four Lane Ends, Palmersville, Northumberland Park, Shiremoor, Whitley Bay) | £5,000,000 | £4,500,000 | 10 |
| SU07 | Holmeside / Sunderland station car park | Sunderland City Council | To provide park and ride facilities for national and local rail passengers encouraging modal transfer- linked to Holmeside proposals. Includes electric vehicle charging infrastructure. The location of the scheme is approximately 150m from the southern entrance to Sunderland Station, the upgrade of station facilities is included in SU03. The plans are currently for a 160 multi storey car park with retail facilities at ground floor level, this could be downscaled to a surface level car park or upscaled to include more storeys | £5,000,000 | £4,500,000 | 10 |
| DU02 | Park and ride expansion, Durham City | Durham County Council | Expansion of existing Sniperley bus-based park and ride site and the creation of an additional site at Stonebridge to meet forecast demand and inclusion of EV charging | £4,500,000 | £2,700,000 | 10 |
| SU15 | Strategic cycle network A690 corridor | Sunderland City Council | Construction of new cycleways links into employment areas, including provision of a crossing over the A19 by raising the parapets on the existing Herrington accommodation bridge | £4,000,000 | £3,600,000 | 7 |
| NX02 | Park and ride enhancements | Nexus | New smart / digital ticket solutions to enhance the attractiveness of park and ride and facilitate integration between modes and enhancing information provision to encourage use. Provision of data to support UTMCI data and VMS. Improvements to car parks to enhance perceptions of safety and security including improved CCTV and lighting. At following sites: <ul style="list-style-type: none"> Northumberland Park | £3,600,000 | £3,240,000 | 8 |

| Code | Scheme name | Scheme promoter | Summary | Total cost | TCF ask | Ranking against TCF objectives |
|--------|---|------------------------|---|------------|------------|--------------------------------|
| | | | <ul style="list-style-type: none"> • Four Lane Ends • Callerton • Regent Centre • Stadium of Light • Bank Foot | | | |
| ST04 | Healthier Metro stations | South Tyneside Council | Develop Chichester and Tyne Dock Metro stations to improve connections through on carriageway solutions to improve walking and cycling routes to the metro stations and public realm improvements to improve access to stations. Schemes looks at measures to improve the car parking offer, where possible looking to introduce EV charging points | £3,450,000 | £2,800,000 | 10 |
| GA10 | A184 cycle route | Gateshead Council | Creation of new shared use pedestrian and cycle route along north side of A184 (Felling Bypass) and improvement of facilities for crossing side roads with traffic signals | £3,000,000 | £2,700,000 | 7 |
| NE08 | Newcastle Streets for People | Newcastle City Council | Improving cycling and walking corridors to Metro stations and major bus interchanges, using the format of the successful Streets for People Programme funded by the Cycle City Ambition Fund. Proposed at Fawdon/Kingston Park Metro, Byker Metro and Ouseburn Valley, and Denton or Lemington bus routes | £3,000,000 | £2,800,000 | 10 |
| ST08 b | South Shields to Sunderland Bus corridor improvements | South Tyneside Council | South Shields to Sunderland City Centre: <ul style="list-style-type: none"> • Westoe Fountain / Dean Road / Sunderland Road Junction • The Nook PT Improvements • A183 Bus Lane into Whitburn | £2,500,000 | £2,000,000 | 10 |
| GA01 | West Tyneside cycle route (upgrading existing routes) | Gateshead Council | Upgrading of existing cycle routes along A1 corridor. Links the North/South Great North cycle route in Harlow Green area to East/West Keelmans Way, via Team Valley and Metrocentre / MetroGreen area, continuing to Blaydon | £2,000,000 | £1,800,000 | 9 |
| GA13 | Keelmans Way improvements | Gateshead Council | Western section of the route is in danger of being lost due to river erosion in two locations – major bank stabilisation works (possibly river dredging) are required to protect and reinstate the route. Improvements also required immediately east of Wylam railway station where the gradient and alignment of the route is poor and an old set of barriers impede movement | £1,800,000 | £1,620,000 | 5 |
| GA07 | Askew Road | Gateshead Council | Provision of new pedestrian cycle facilities to provide access to housing development sites – access to bus stops and removal of existing concrete footbridge | £1,711,000 | £1,540,000 | 9 |

| Code | Scheme name | Scheme promoter | Summary | Total cost | TCF ask | Ranking against TCF objectives |
|-------------|---|--|--|------------|------------|--------------------------------|
| GA08 | Hills Street and Gateshead Quays sustainable access | Gateshead Council | Upgrading of pedestrian, cycle and public transport environment on key link to Tyne Bridge: <ul style="list-style-type: none"> Provision of a segregated cycleway alongside a new north/south road through the Baltic quarter Improved pedestrian/cycle provision in the Tyne Bridgehead area including Hills Street Improvements to the pedestrian, cycle and public transport environment on Hawks Road | £1,500,000 | £800,000 | 10 |
| GA11 | A195 bus lane | Gateshead Council | Northbound bus lane on A195 north of A194(M) on the approach to its junction with New Road. Buses using the route link Heworth interchange with Follingsby/Washington/Houghton le Spring | £1,200,000 | £1,080,000 | 10 |
| SU04 | Holmeside bus rationalisation and priority measures | Sunderland City Council | Reassigning of highway use and provision of improved pedestrians and cyclist facilities, reducing through vehicle movements in the City Centre core: <ul style="list-style-type: none"> Super crossing provision Signalised shuttle working Potential one way system | £1,000,000 | £900,000 | 10 |
| NE07 / NO02 | Callerton - Airport -Ponteland cycle route | Northumberland County Council (lead); Newcastle City Council | Connection between Newcastle Airport, Callerton and Ponteland using existing disused rail alignment in Northumberland and offroad alignments where possible. Links into development in Ponteland and Airport Enterprise Zone | £800,000 | £700,000 | 8 |
| IN01 | Intu cycle storage | Intu | <ul style="list-style-type: none"> Secure cycle storage facility for use by all staff working across intu Eldon Square plus access for the wider cycling population in the city Potential for providing a changing facility for walkers, joggers and runners coming into the City Centre Space for Sustrans' activities to further promote active travel opportunities – Dr Bike, maintenance space, public bike hire, guided rides etc Potential for co-location of Tourist Information services for the wider benefit of the those visiting the city | £605,600 | £300,000 | 10 |
| GA16 | Gateshead Interchange bus lane | Gateshead Council | A reconfiguration of the north bound bus lane out of Gateshead interchange towards Newcastle. Current arrangements has been causing delays to GNE buses due to need to switch lanes under | £500,000 | £450,000 | 9 |

| Code | Scheme name | Scheme promoter | Summary | Total cost | TCF ask | Ranking against TCF objectives |
|-------|---|--|---|------------|----------|--------------------------------|
| | | | traffic signal control on the approach to Askew Road. This route carries almost all Gateshead to Newcastle buses | | | |
| DU03 | Bus priority measures | Durham County Council | Bus priority measures on the approaches to Durham City in Gilesgate (102m bus lane extension) and Shincliffe (252m inbound bus lane) | £349,080 | £232,720 | 8 |
| DU04 | Durham rail station access improvements | Durham County Council | Improving the pedestrian access to Durham City - new stair facilities linking the A691 with the rail station southbound platform | £200,000 | £133,333 | 8 |
| ITS01 | ITS Package of works - Regionwide | Regionwide – being developed by Gary Macdonald (AECOM) | Intelligent Transport Systems (ITS) technology is required to facilitate corridor-based improvements across the region and to support non-corridor schemes. ITS will collect data from various sources and implement strategies to better inform mode and departure time choice. The scheme specifically focuses on carbon reduction through improved traffic flow and improving the reliability of motorised modes. The scheme provides the foundations for a Future Grand Mobility Challenge that will see a phased roll-out of ride-sharing and slow modes as alternatives to single-occupancy car travel whilst improving conditions for public transport users. The scheme will also support the development of Future Mobility Zones for the area | TBC | TBC | 11 |

APPENDIX 2

Schemes in Medium Cost Programme, High Cost Programme and Low Cost Programme, arranged by thematic package and TCF Key Corridor

North East TCF Tranche 2 Bid

Medium Cost Programme

| | | | | Total TCF Ask | £359.9m |
|--|--|---|---------|---------------|---------|
| Thematic Package | Schemes by Corridor | <div> <div>North and South</div> <div>Banks of Tyne</div> </div> <div> <div>Cities and Airport</div> <div>River Wear</div> </div> | Cost | TCF Ask | |
| Transforming Bus Corridors | A188/A189 Bus Corridor ■ ; Hills Street/Gateshead Quays ■ ; A195 Bus Lane ■ ; Gateshead Interchange Bus Lane ■ ; North Shields Transport Hub ■ ; South Shields-Newcastle Bus Improvements ■ ; South Shields-Sunderland Bus Improvements ■ ; Durham Bus Priority ■ ; Durham Bus Station ■ ; Holmeside Bus Rationalisation ■ ; Sunderland Inner Ring Road Bus Improvements ■ ; Chester Road Bus Corridor ■ ; A690 Route Action Plan ■ | | £82.9m | £64.5m | |
| Transforming Cycling and Walking Corridors | Newcastle Outer West ■ ; Airport-Ponteland Cycle Route ■ ; Intu Cycle Storage ■ ; West Tyneside Cycle Route ■ ; Metro Green Sustainable Access ■ ; Askew Road Cycle Route ■ ; Newcastle Streets for People ■ ; North Tyneside Metro Cycle/Walk Links ■ ; South Tyneside Healthy Metro Access ■ ; Durham Walking/Cycling Improvements ■ | | £39.7m | £27.0m | |
| Transforming City Centre Gateways | Newcastle Central Gateway ■ ; Transforming Newcastle City Centre ■ ; Sunderland Central Station ■ ; Sunderland Station Car Park ■ ; Durham Rail Station Access ■ | | £55.9m | £47.9m | |
| Transforming Park and Ride | Metro Park & Ride Enhancements ■ ■ ; Follingsby and Callerton Park & Ride ■ ■ ■ ; Durham Park & Ride Expansion ■ | | £15.6m | £12.7m | |
| Delivering Metro and Local Rail Strategy | Northumberland Line ■ ; Metro Twin Tracking (capacity enhancements) ■ ■ ■ | | £234.5m | £207.8m | |

North East TCF Tranche 2 Bid

High Cost Programme

| | | | | Total TCF Ask | £377.3m |
|--|--|---|---------|---------------|---------|
| Thematic Package | Schemes by Corridor | <div> <div>North and South</div> <div>Banks of Tyne</div> </div> <div> <div>Cities and Airport</div> <div>River Wear</div> </div> | Cost | TCF Ask | |
| Transforming Bus Corridors | A188/A189 Bus Corridor ■ ; Hills Street/Gateshead Quays ■ ; A195 Bus Lane ■ ; Gateshead Interchange Bus Lane ■ ; North Shields Transport Hub ■ ; South Shields-Newcastle Bus Improvements ■ ; South Shields-Sunderland Bus Improvements ■ ; Durham Bus Priority ■ ; Durham Bus Station ■ ; Holmeside Bus Rationalisation ■ ; Sunderland Inner Ring Road Bus Improvements ■ ; Chester Road Bus Corridor ■ ; A690 Route Action Plan ■ | | £82.9m | £64.5m | |
| Transforming Cycling and Walking Corridors | Birtley to Eighton Lodge ■ ; Newcastle & North Tyneside Strategic Cycle Links ■ ; Newcastle Outer West ■ ; Airport-Ponteland Cycle Route ■ ; Intu Cycle Storage ■ ; West Tyneside Cycle Route ■ ; Metro Green Sustainable Access ■ ; Askew Road Cycle Route ■ ; A184 Cycle Route ■ ; Keelmans Way ■ ; Newcastle Streets for People ■ ; North Tyneside Metro Cycle/Walk Links ■ ; South Tyneside Healthy Metro Access ■ ; Durham Walking/Cycling Improvements ■ ; A690 Strategic Cycle Network ■ | | £59.1m | £44.4m | |
| Transforming City Centre Gateways | Newcastle Central Gateway ■ ; Transforming Newcastle City Centre ■ ; Sunderland Central Station ■ ; Sunderland Station Car Park ■ ; Durham Rail Station Access ■ | | £55.9m | £47.9m | |
| Transforming Park and Ride | Metro Park & Ride Enhancements ■ ■ ; Follingsby and Callerton Park & Ride ■ ■ ■ ; Durham Park & Ride Expansion ■ | | £15.6m | £12.7m | |
| Delivering Metro and Local Rail Strategy | Northumberland Line ■ ; Metro Twin Tracking (capacity enhancements) ■ ■ ■ | | £234.5m | £207.8m | |

North East TCF Tranche 2 Bid Low Cost Programme

| | | | | Total TCF Ask | £333.1m |
|--|---|---|--|------------------|---------|
| Thematic Package | Schemes by Corridor | <div> <div>■ North and South</div> <div>■ Cities and Airport</div> </div> <div> <div>■ Banks of Tyne</div> <div>■ River Wear</div> </div> | | Cost | TCF Ask |
| Transforming Bus Corridors | A188/A189 Bus Corridor ■; Hills Street/Gateshead Quays ■; A195 Bus Lane ■; Gateshead Interchange Bus Lane ■; South Shields-Newcastle Bus Improvements ■; South Shields-Sunderland Bus Improvements ■; Durham Bus Station ■; Holmeside Bus Rationalisation ■; Sunderland Inner Ring Road Bus Improvements ■; Chester Road Bus Corridor ■; A690 Route Action Plan ■ | | | £57.5m | £41.7m |
| Transforming Cycling and Walking Corridors | Newcastle Outer West ■; Intu Cycle Storage ■; West Tyneside Cycle Route ■; Metro Green Sustainable Access ■; Askew Road Cycle Route ■; Newcastle Streets for People ■; North Tyneside Metro Cycle/Walk Links ■; South Tyneside Healthy Metro Access ■; Durham Walking/Cycling Improvements ■ | | | £38.9m | £26.3m |
| Transforming City Centre Gateways | Newcastle Central Gateway ■; Transforming Newcastle City Centre ■; Sunderland Central Station ■; Sunderland Station Car Park ■ | | | £55.7m | £47.8m |
| Transforming Park and Ride | Follingsby and Callerton Park & Ride ■ ■ ■; Durham Park & Ride Expansion ■ | | | £12.0m | £9.5m |
| Delivering Metro and Local Rail Strategy | Northumberland Line ■; Metro Twin Tracking (capacity enhancements) ■ ■ ■ | | | £234.5m | £207.8m |

APPENDIX 3

North East Region TCF Tranche 2 Programme – Summary of Draft SOBC

- 1 This appendix provides a summary of the draft Strategic Outline Business Case to be submitted to DfT on 20 June 2019. The full document can be viewed [here](#).

The Strategic Case

- 2 The Strategic Case builds a high level narrative about the challenges faced by the region: this includes a description of the economic, social and environmental challenges, as well as direct transport challenges. The current policy context in the North East region is critical to this assessment, ranging from the Strategic Economic Plan and the emerging Local Industrial Strategy through to Local Transport Plans, the Metro & Local Rail Strategy and other supporting strategies. The Strategic Case then describes the current transport problems experienced in the region that emerge from these challenges and explains how our Tranche 2 programme can help to address those problems. Because the Tranche 2 programme has a wide geographical coverage and envisages multi-modal investment, the Strategic Case is high level. The contribution of the Tranche 2 programme towards achieving the TCF objectives set out in Table 1 is at the heart of the Strategic Case, with particular emphasis on delivering improved economic productivity through transport investment.

- 3 The Strategic Case concludes that our Tranche 2 programme will have a transformational impact on the economy and environment in the region, by opening up new job opportunities, widening labour markets, improving access to skills and training opportunities and contributing to improving the local environment by encouraging a switch of trips from cars to sustainable transport modes. This is achieved in three ways:

- By investment in two large schemes that improve access within the city region by rail and Metro;
- By investment in city centre transport gateways that improve local and long distance connectivity by rail; and
- Through investment in smaller but equally significant schemes that, coupled with past infrastructure investment, provide coherent improvements to connectivity by bus, cycling, walking and Park & Ride in key corridors and city centres.

The Economic Case

- 4 The Economic Case then builds on the findings of the Strategic Case and explores quantitatively and qualitatively how the Tranche 2 programme of investments can bring economic benefits to people and businesses in the North East region. At the heart of the Economic Case is a quantitative appraisal of the time savings and travel utility benefits experienced by existing and new users of public transport and sustainable transport modes. This is encapsulated in a calculation of the long term economic benefits of the programme, which are compared to the economic costs of delivering that programme. This comparison of the benefits and costs

demonstrates that for every pound spent on the Tranche 2 programme the region will enjoy benefits worth around £2.50 (that is, the benefit:cost ratio or BCR is around 2.50⁶).

- 5 The Economic Case also identifies a range of other wider economic benefits that the programme will deliver, including the ‘agglomeration’ benefits that arise from bringing industries and businesses ‘closer together’ by investing in key transport links.

The Commercial Case

- 6 The commercial case provides information about how the Tranche 2 programme will be delivered. An outline procurement strategy is provided that sets out how scheme promoters in the region will develop the design of their schemes in more detail, procure them and manage the delivery phase to ensure that they are delivered on time and to budget. The commercial case also identifies the key partnerships that will be formed to both deliver the schemes and then realise the full benefits of the investment.

The Financial Case

- 7 The financial case sets out all financial aspects of our bid. It explains the capital costs of our Tranche 2 programme and identifies the match funding that has been sourced locally to support the bid for funding. Considerable effort has been expended to ensure that the financial details of this case are correct and can be delivered by each scheme promoter once funding is made available. While not covered in detail in this draft SOBC, the final SOBC will also explain how the whole life costs of the Tranche 2 programme will be met through enhanced revenue streams and local maintenance budgets.

The Management Case

- 8 The management case sets out when the elements of the programme will be delivered (a project plan), identifies what risks are associated with delivery of the Tranche 2 programme and explains how those risks will be mitigated by the scheme promoters in the region (a risk register). The Government is intending to devolve funding for all but the largest schemes⁷ in the programme to the region and requires us to explain how that devolved funding will be managed and overseen to ensure the schemes are delivered and the benefits of the programme realised. The management case therefore sets out how existing structures and partnerships will be used to govern delivery of the Tranche 2 programme once the funding has been allocated. Our existing experience in the region of delivering major transport investments is an important factor in assuring Government that this devolved funding will be placed in safe hands in the North East.

SOBC Conclusions

- 9 The Strategic Outline Business Case remains in draft form, but nevertheless provides Government with a compelling case for ambitious investment in our

⁶ This is a provisional BCR figure, which will be updated by officers at the JTC meeting.

⁷ Those schemes with a capital value over £40m.

region. The benefits of our programme considerably outweigh the costs, our ability to deliver is exemplary and the links between this programme of transport investments and the wider economic, social and environmental challenges and opportunities in the region are clearly set out.

By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank